

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY UTILITIES ) CASE NO.  
COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES ) 2018-00294

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on March 5, 2019 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on March 5, 2019 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on March 5, 2019.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice.

Parties desiring to view the digital video recording of the hearing may do so at

[http://psc.ky.gov/av\\_broadcast/2018-00294/2018-00294\\_05Mar19\\_Inter.asx](http://psc.ky.gov/av_broadcast/2018-00294/2018-00294_05Mar19_Inter.asx).

Parties wishing an annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 29<sup>th</sup> day of March 2019.

A handwritten signature in cursive script that reads "Gwen R. Pinson".

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COMMONWEALTH OF KENTUCKY  
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ELECTRONIC APPLICATION OF KENTUCKY	)	CASE NO.
UTILITIES COMPANY FOR AN ADJUSTMENT	)	2018-00294
OF ITS ELECTRIC RATES	)	
	)	

CERTIFICATION

I, KaBrenda L. Warfield, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on March 5, 2019. Hearing Log, Exhibit List and Witness List are included with the recording on March 5, 2019.

2. I am responsible for the preparation of the digital recording;

3. The digital recording accurately and correctly depicts the Hearing of March 5, 2019

4. The Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Hearing of March 5, 2019 and the time at which each occurred.

Signed this 29<sup>th</sup> day of March, 2019.

  
\_\_\_\_\_  
KaBrenda L. Warfield, CKP  
Paralegal Consultant

  
\_\_\_\_\_  
Kathy Gillum, Notary Public  
State at Large  
Commission Expires: September 3, 2021  
ID#: 584704



Date:	Type:	Location:	Department:
3/5/2019	Public Hearing\Public Comments	Hearing Room 1	Hearing Room 1 (HR 1)

Judge: Bob Cicero; Talina Mathews; Michael Schmitt

Witness: Lonnie Bellar; Christopher Garrett; Adrien McKenzie ; Gregory Meiman ; David Sinclair; Paul Thompson

Clerk: KaBrenda Warfield

Event Time	Log Event
8:43:43 AM	Session Started
8:43:46 AM	Session Paused
8:59:43 AM	Chairman Schmitt Note: Fields, Angela
	Chairman stating Preliminary remarks and introduction of Vice Chairman Cicero and Commissioner Mathews.
8:59:43 AM	Session Resumed
9:01:26 AM	Chairman Schmitt Note: Fields, Angela
	At this time I guess before we discuss where we are and how to proceed would the parties ? Counsel please identify themselves?
9:01:36 AM	Kendrick Riggs - KU and LG&E Note: Fields, Angela
	Allyson Sturgeon, Duncan Crosby, Lindsay Ingram
9:01:56 AM	Matthew Miller - Sierra Club Note: Fields, Angela
	Joe Childers
9:02:03 AM	Kent Chandler - Office of the Attorney General Note: Fields, Angela
	Larry Cook
9:02:09 AM	Mike Kurtz - Kentucky Industrial Utility Customers, Inc. (KIUC) Note: Fields, Angela
	Kurt Boehm and Jody Kyler Cohn
9:02:41 AM	Robert Moore - Kroger
9:02:45 AM	? - Walmart
9:02:52 AM	Mat Malone - Kentucky School Boards Association (KSBA) Note: Fields, Angela
	?
9:03:01 AM	Iris Skidmore - Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties (CAC)
9:03:17 AM	Jim Gardner - For the governmental entities Note: Fields, Angela
	Lexington-Fayette Urban County Government (LFUCG): David Barberie, and Todd Osterioh
	Note: Fields, Angela
	Louisville/Jefferson County Metro Government (Louisville Metro): Jeff Deroeun
9:03:42 AM	Tom Fitzgerald - Metropolitan Housing Coalition (MHC)
9:03:48 AM	Lisa Kilkelly - Association of Community Ministries, Inc. (ACM) Note: Fields, Angela
	Eileen Ordovery
9:03:56 AM	Chairman Schmitt Note: Fields, Angela
	Does that have everyone, or have I left someone? I knew I would.
9:04:00 AM	Lawrence Zielke - Charter Communications Operating, LLC (Charter)
9:04:15 AM	Terrance Spann - Department of Defense and all other Federal Executive Agencies (DOD/FEA) Note: Fields, Angela
	Houston Parrish
9:04:22 AM	Chairman Schmitt Note: Fields, Angela
	And on behalf off staff?
9:04:24 AM	Quang Nguyen - PSC Staff Note: Fields, Angela
	Ben Bellamy, and Richard Raff

9:04:29 AM	Chairman Schmitt Note: Fields, Angela	As I understand it there has been a settlement agreement between the applicants Kentucky Utilities Louisville Gas and Electric, and Charter Communications, is that Correct?
9:04:48 AM	Chairmain Schmitt Note: Fields, Angela	And that was a sepearte disinct from what the other parties have done? Is that correct?
9:05:06 AM	Chairman Schmitt Note: Fields, Angela	If we confirm that this agreement has been made is there any particular reason why Charter needs to stay for the remainder of this proceeding?
9:05:36 AM	Chairman Schmitt Note: Fields, Angela	Well if we could come forward and do the settlement colloquy here, then if there is no objection, then Mr. Zielke can leave and his client can be excused from the further proceedings.
9:05:51 AM	Chairman Schmitt Note: Fields, Angela	Charter Communications Operating LLC (Charter)
9:05:58 AM	Chairman Schmitt Note: Fields, Angela	SETTLEMENT COLLOQUY BETWEEN KU/LG&E AND CHARTER.
9:06:48 AM	Chairman Schmitt Note: Fields, Angela	Mr. Zielke you may be excused.
9:06:52 AM	Chairman Schmitt Note: Fields, Angela	Now for the more difficult part. As I understand it there has been a proposed stipulation and settlement agreement for all but perhaps four or so remaining issues among all of the parties except the Sierra Club. Is that correct?
9:07:49 AM	Chairman Schmitt - Atty Miller Sierra Club Note: Fields, Angela	Does Sierra Club intend other than witnesses for one or both of the applicants who may testify about OVEC or the issues your involved in do you plan on conducting a cross examination of any other witnesses in this case?
9:09:00 AM	Chairman Schmitt Note: Fields, Angela	And Mr. Riggs I assume you will be cross examining Mr. Fisher?
9:09:08 AM	Chairman Schmitt Note: Fields, Angela	Will any other party or Counsel for the parties be cross examining Mr. Fisher?
9:09:20 AM	Chairman Schmitt Note: Fields, Angela	Anybody else cross examining Mr. Fisher?
9:09:22 AM	Chairman Schmitt Note: Fields, Angela	Will other parties be cross examining Bellar, Sinclair, or Blake?
9:09:49 AM	Chairman Schmitt Note: Fields, Angela	The settlement as I understand it applies to a proposed settlement to all of the issues with the exception of the utilities 401K contributions for employees who are also participants in the utilites defined benefit plans correct?
9:10:24 AM	Chairman Schmitt Note: Fields, Angela	On that issue is there any party to the case other than KU and LG&E who intend to cross examine?
9:10:46 AM	Chairman Schmitt Note: Fields, Angela	And the second issue is the amount of the daily versus the monthly format of residential electric and gas basic service charges. Other than the two utility applicants are there any parties who intend to cross examine and or have evidence dealing with that issue?
9:11:15 AM	Chairman Schmitt Note: Fields, Angela	Anyone else?

9:11:40 AM	Chairman Schmitt Note: Fields, Angela	The next issue the utilities proposal to split energy charges into infrastructure and variable components for tariff purposes only.
9:12:05 AM	Chairman Schmitt Note: Fields, Angela	Anyone else?
9:12:14 AM	Chairman Schmitt Note: Fields, Angela	Ultimately when we get to the point of taking testimony I am going to need help here [click on link for Chairman Schmitt's remarks.]
9:12:46 AM	Chairman Schmitt Note: Fields, Angela	Mr. Riggs I have not had a chance to check. But has notice of this hearing been given to the public? And has it been filed into the record?
9:12:56 AM	Chairman Schmitt Note: Fields, Angela	I assume that there are confidentiality motions that are outstanding, or have those been ruled on?
9:13:41 AM	Chairman Schmitt Note: Fields, Angela	Are there any other pending motions at this time? Anything else that needs to be ruled on or discussed before we start?
9:14:05 AM	Chairman Schmitt Note: Fields, Angela	Is there any objection to Mr. Blake adopting Mr. Arbough's testimony?
9:14:12 AM	Chairman Schmitt Note: Fields, Angela	The motion will be sustained.
9:14:13 AM	Chairman Schmitt Note: Fields, Angela	Alright anything else Mr. Riggs?
9:16:43 AM	Chairman Schmitt Note: Fields, Angela	Anyone have a response to that or anything additional to add?
9:17:18 AM	Chairman Schmitt Note: Fields, Angela	But that has not been filed is that correct?
9:17:36 AM	Chairman Schmitt Note: Fields, Angela	Will the stipulation as originally filed be amended in some way? Or it may not be nessasry?
9:17:58 AM	Chairman Schmitt Note: Fields, Angela	Sometime before we are finished if you have other Counsel available or something. Maybe somebody ought to draft something and circulate it so that everybody agrees and we can get it in the record
9:18:27 AM	Chairman Schmitt Note: Fields, Angela	If anyone wants to examine the laptop or the contents of the laptop before, or during examination or cross examination obviuolsy everyone is entitled to examine anything that the witness has before him and uses to help his testimony .
9:18:50 AM	Chairman Schmitt Note: Fields, Angela	Is there any memeber of the public present who would like to step forward and provide a public comment or information which you would like for the Public Service Commission to consider in making a decision in this case?
9:19:19 AM	Chairman Schmitt Note: Fields, Angela	Please state your name and address? And if anyone has something in writing we'll accept that also and file it into the record.
9:26:44 AM	Chairman Schmitt Note: Fields, Angela	Ma'am do you have something to say?
9:27:01 AM	Chairman Schmitt Note: Fields, Angela	Can you identify yourself?

9:35:28 AM	Chairman Schmitt Note: Fields, Angela	Is there anyone else who would like to come forward and speak or provide a written statement for the record?
9:35:38 AM	Chairman Schmitt Note: Fields, Angela	Mr. Malone Kentucky School Boards Association. I noticed that KSBA intervened, but there wasn't anything that I saw in the stipulation that addressed Kentucky School Boards Association issues. Can you tell us where that stands?
9:36:30 AM	Chairman Schmitt Note: Fields, Angela	That's not in any of the stipulations is that correct?
9:36:51 AM	Chairman Schmitt Note: Fields, Angela	Let me ask this. I know, I think the school boards association position. Whatever has been worked out is the net result that some other rate payer in some other class will be subsidising the schools rate?
9:37:28 AM	Vice Chairman Cicero Note: Fields, Angela	Will there be any more information with regards to this agreement similar to what was mentioned by the Chairman? In putting something in writing so I know you said it was in the tariff.
9:37:56 AM	Chairman Schmitt Note: Fields, Angela	If there is nothing else we can begin the testimony [click on link for Chairman Schmitt's remarks.]
9:39:09 AM	Chairman Schmitt Note: Fields, Angela	Mr. Riggs if you have a witness to call we can proceed.
9:39:41 AM	Chairman Schmitt - witness Thompson Note: Fields, Angela	Swearing in.
9:39:52 AM	Chairman Schmitt Note: Fields, Angela	Mr. Riggs you may ask.
9:39:54 AM	Atty Riggs KU & LG&E - witness Thompson Note: Fields, Angela	Please state your full name?
9:40:00 AM	Atty Riggs KU & LG&E - witness Thompson Note: Fields, Angela	What is your title sir?
9:40:08 AM	Atty Riggs KU & LG&E - witness Thompson Note: Fields, Angela	What is your business address please?
9:40:16 AM	Atty Riggs KU & LG&E - witness Thompson Note: Fields, Angela	Mr. Thompson did you cause to be prepared direct testimony as part of the company's application in this case?
9:40:24 AM	Atty Riggs KU & LG&E - witness Thompson Note: Fields, Angela	Subject to the changes that have been reflected in the record since the filing of this application do you adopt your testimony today as your testimony?
9:40:36 AM	Atty Riggs KU & LG&E - witness Thompson Note: Fields, Angela	Mr. Thompson is available for examination.
9:40:39 AM	Chairman Schmitt Note: Fields, Angela	Before we ask Counsel from Staff. Is there anyone who would like to conduct any cross examination of Mr. Thompson? If not Mr. Nguyen you may cross examine if you have anything to ask.
9:40:59 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	Just referring to your direct testimony, Page 2.
9:41:12 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	And here you describe the common ownership of KU and LG&E by LG and KU Energy and how that impacts the companies operations. At line 11 you state [click on link for remarks.]
9:41:54 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	Is that correct?

9:41:57 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela Can you provide a little bit more detail in terms of there's not a legal intergration of KU and LG&E. It's two operating utilities as one, but they are separately owned by a parent company? Is that correct?

9:42:29 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela So legally they are separated?

9:42:40 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela According to your testimony for the last two decades both KU and LG&E have been jointly planned for various aspects of both companies operations? Is that correct?

9:43:11 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela And those provide savings overall to both companies customers? Is that also correct?

9:43:38 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela And those are both fuel related savings and also non fuel related savings? Is that also correct?

9:44:03 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela So if we can focus on the fuel related savings for electric generation, in terms of dispatch, could you just go into a little bit more detail as to how the companies dispatch on a joint or combined basis in order to achieve those fuel related savings?

9:45:23 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela In terms of dispatch, the highest cost units go towards, do they go to offset themselves or to serve native load?

9:46:07 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela Even if the generation units that are owned by LG&E are also being used to served KU's native load? Is that correct? [Click on link for comments.]

9:47:05 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela And that has generated savings for both KU and LG&E's customers throughout the decades?

9:47:23 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela And those savings are reflected in base rates? Is that correct?

9:47:31 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela The combined dispatching of LG and KU's units are those governed by a formal agreement?

9:47:56 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela And those are approved by what government body?

9:48:19 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela Would those also be Furk? related documents?

9:48:33 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela Could you explain in more detail with respect to transmission planning and system operations how those are jointly done in order to achieve savings throughout the decade?

9:49:35 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela In terms of daily operations of the generation assets and the transmission facilities are those done by seperate LG& E and seperate KU employees or are those done by combined LG and KU?

9:50:03 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela What type of employees would just be KU related company and LG&E related company?

9:51:01 AM Asst GC Nguyen PSC - witness Thompson  
Note: Fields, Angela After the merger of KU and LG&E was the formation of the service company done at that point in time?

9:51:35 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	At that point in time with the merger under common ownership of LG&E and KU, those functions were consolidated at that point in time and then that formed LG and KU Services Company, is that correct?
9:52:17 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	And you said that it is constantly evolving so that there is certain functions that might have been separated but over time would have been consolidated into I guess a function that would serve both KU and LG&E and then therefore that would be provided at the service corporation level?
9:53:05 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	Are you aware of 2017-00415 that involved the PPL restructuring at the corporate level? Are you familiar with that case?
9:53:27 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	And were you familiar with the Commission's request for LG and KU to do an internal legal merger study that was a by product of that particular case?
9:53:49 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	Were you involved in anyway in that analysis?
9:54:07 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	Are you knowledgeable of the conclusion that the report provided with respect to the question of the efficacy of a merger of the two companies?
9:55:03 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	From your position with the company, what would you say would be the biggest stumbling blocks to legally merging KU and LG&E as one entity?
9:57:23 AM	Asst GC Nguyen PSC - witness Thompson Note: Fields, Angela	Thank you those are all the questions that I have.
9:57:25 AM	Chairman Schmitt Note: Fields, Angela	Commissioner Cicero questions?
9:57:29 AM	Vice Chairman Cicero - witness Thompson Note: Fields, Angela	Mr. Thompson does LG&E and KU have an Executive Committee?
9:57:40 AM	Vice Chairman Cicero - witness Thompson Note: Fields, Angela	Someone that strategizes the companies policies [click on link for Vice Chairman Cicero's remarks.]
9:58:28 AM	Vice Chairman Cicero - witness Thompson Note: Fields, Angela	I think we are talking about the same thing so let's see if I can paraphrase it in the direction that I am going in. You have a group of people that develop and present and agree upon a strategy and what the direction the company would like to go, which through you goes to the board, and the board they make the decision on whether to adopt them or not. And if they need testimony or presentation on whether it is a good idea or not those members would present to the board?
9:59:26 AM	Vice Chairman Cicero - witness Thompson Note: Fields, Angela	Are any of those that you would consider apart of that strategy team here with you today? Would you consider all of those giving testimony here today to be apart of that group that would develop that plan or those strategies going forward?
10:00:16 AM	Vice Chairman Cicero - witness Thompson Note: Fields, Angela	Here's where I am going with this [click on link for Vice Chairman Cicero's remarks.]

10:00:41 AM Vice Chairman Cicero - witness Thompson  
Note: Fields, Angela Let me read the order [click on link to hear Vice Chairman Cicero read the order.]

10:02:11 AM Vice Chairman Cicero - witness Thompson  
Note: Fields, Angela Do you believe that providing duplicative benefits for employees is fair, just, and reasonable for your rate payers given that many of them do not have pension plans and given that the Commission has already issued a directive in its last rate case and yet KU decided to negotiate a new three year agreement with its unit post this Order and did not address that issue?

10:04:39 AM Vice Chairman Cicero - witness Thompson  
Note: Fields, Angela So obviously the company can provide whatever benefits it wants. Its just a matter of whether its rate base or shareholders that pay for it [click on link for Chairman Cicero's remarks.]

10:05:12 AM Vice Chairman Cicero - witness Thompson  
Note: Fields, Angela I'm just curious why LG&E and KU decided that they would take another crack at this?

10:06:52 AM Vice Chairman Cicero - witness Thompson  
Note: Fields, Angela I'll just finish off with [click on link for Vice Chairman Cicero's remarks.]

10:12:00 AM Chairman Schmitt  
Note: Fields, Angela Commissioner Mathews?

10:12:05 AM Chairman Schmitt  
Note: Fields, Angela I have no questions. Mr. Riggs any redirect?

10:12:08 AM Atty Riggs KU & LG&E - witness Thompson  
Note: Fields, Angela Mr. Thompson do you recall the examination by Staff Counsel in connection with the economic dispatch of the power plants and the savings?

10:12:20 AM Atty Riggs KU & LG&E - witness Thompson  
Note: Fields, Angela Is it correct Mr. Thompson that the savings achieved through the economic dispatch of the power plants flows through the fuel clause as well as reflected in base rates?

10:12:32 AM Atty Riggs KU & LG&E - witness Thompson  
Note: Fields, Angela Mr. Thompson you were asked a question about whether the Power System Supply Agreement and the Transmission Supply Agreement that LG&E KU signed at the time of merger were approved by FUR? would Mr. Conroy have the best knowledge of whether those agreements were filed with and approved by FUR??

10:12:56 AM Atty Riggs KU & LG&E - witness Thompson  
Note: Fields, Angela Excuse me the Transmission Coordination Agreement (TCA).

10:13:02 AM Atty Riggs KU & LG&E - witness Thompson  
Note: Fields, Angela Thank you. Those are all of the questions I have.

10:13:07 AM Chairman Schmitt  
Note: Fields, Angela Alright you may step down. You may call your next witness.

10:13:15 AM Chairman Schmitt  
Note: Fields, Angela If you would like a break, then lets take a break until 25 until 11 and then we'll come back.

10:13:23 AM Session Paused

10:29:20 AM Session Resumed

10:29:23 AM Session Paused

10:29:31 AM Chairman Schmitt  
Note: Fields, Angela We are now back on the record Mr. Riggs you may call your next witness.

10:29:31 AM Session Resumed

10:29:37 AM Chairman Schmitt - witness Bellar  
Note: Fields, Angela Swearing in.

10:29:46 AM Chairman Schmitt  
Note: Fields, Angela Mr. Riggs.

10:29:48 AM Atty Riggs KY and LG&E - witness Bellar  
Note: Fields, Angela Could you please state your full name?

10:29:52 AM Atty Riggs KY and LG&E - witness Bellar  
Note: Fields, Angela Could you please state your full business title?

10:29:57 AM Atty Riggs KY and LG&E - witness Bellar  
Note: Fields, Angela Could you please state your business address?

10:30:02 AM Atty Riggs KY and LG&E - witness Bellar  
Note: Fields, Angela Mr. Bellar did you cause to be prepared and filed with the Commission in these cases written direct testimony and written rebuttal testimony?

10:30:10 AM Atty Riggs KY and LG&E - witness Bellar  
Note: Fields, Angela Subject to the changes that have been reflected in the record in this proceeding would you adopt those testimonies as your testimony today?

10:30:19 AM Atty Riggs KY and LG&E - witness Bellar  
Note: Fields, Angela Thank you your honour he is now available.

10:30:21 AM Chairman Schmitt  
Note: Fields, Angela Mr. Miller do you want first crack at this witness?

10:30:26 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela I was just hoping you could turn to page 23 and 24 of your rebuttal?

10:30:40 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela Line 17 to 18 of page 23 reflecting that the company expects the OVEC Generating Units to last 80 years or more. That's up to the 2040 end date of the ICPA? Is that right sir?

10:31:07 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela Just for context the OVEC Units are two power plants one in Ohio one in Indiana built in the 1950s?

10:31:24 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela And you note there quoting the top of 24 the Commission's decision in Case No. 2011-00099 [click on link for remarks.]

10:32:10 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela Is it your understanding that the units today operate in such fashion that is in base load mode with limited thermal cycles?

10:32:48 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela Do you have a take one way or the other on whether the analysis relied on cited at least by the Commission in the 2011 Order did that presume that the units would continue to operate in base load mode with limited thermal cycles?

10:33:26 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela One last question on page 24, second to last line [click on link for remarks.]

10:34:03 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela Is it your position that they are going to make it all the way to 2040 in this cycling mode?

10:35:23 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela If and when there is a reassessment by OVEC that the company is aware of of the change in what appears to be the useful life of the units would that be reported at least for purposes of the proper depreciation time frame?

10:36:15 AM Atty Miller Sierra Club - witness Bellar  
Note: Fields, Angela Thank you sir, that is all from the Sierra Club.

10:36:18 AM	Chairman Schmitt Note: Fields, Angela	Is there anyone else who has a position that would require cross examination of Mr. Bellar? If not Mr. Nguyen any questions?
10:36:33 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	Just going through your direct testimony I think you testified that in September of 2018 that the companies had performed a review to assess the cost benefits of joining MYSO or PJM and that you all ultimately determined that it would not be beneficial to do so? Is that accurate?
10:36:57 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	And you've attached the assessment to your direct testimony correct?
10:37:04 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	You testified also that the companies had performed a similar study in 2012 and reached a similar conclusion? Is that accurate?
10:37:13 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	And then also in your direct testimony you testified that between 2014 and 2016 that the companies load growth projections changed and that the companies were now forecasting a drop of 500 mega watts in load by 2020. Is that correct?
10:37:31 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	And that's in addition to the 325 mega watts loss in load arising from the loss of the whole sale of municipal customers? Is that correct?
10:37:53 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	When you performed the assessment with respect to whether or not it would be beneficial for the companies to join MYSO or PJM did the companies account for the projected load loss in assessing whether or not it was cost beneficial to join PJM or MYSO?
10:38:49 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	What would be the affect of the loss of your native load be on the cost benefit analysis of the companies joining MYSO or PJM?
10:39:16 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	What are the companies plans with respect to that generation capacity both the projected and the actual loss from the municipalities?
10:40:23 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	Prior to the loss of the approximate 800 mega watts of load did the companies feel like they had adequate reserved capacity?
10:41:48 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	Just going back to page 4 of your rebuttal testimony [click on link for remarks.]
10:42:52 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	Could you just describe the process you all go through in evaluating and prioritizing transmission and distribution projects?
10:44:33 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	So the two top priorities would be safety and then something that is necessary to serve a particular customer or particular area?
10:44:41 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	Looking at the pipeline replacement for gas transmission lines again on page 4 [click on link for remarks.]
10:45:20 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	Are you familiar with that project?
10:45:22 AM	Staff Atty Bellamy PSC - witness Bellar Note: Fields, Angela	And I think you all determined that it would be [click on link for remarks.]

10:45:55 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela And I was curious would the cost of inspecting the pipes offset the price of construction?

10:47:43 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela And correct me if I am wrong I thought you testified perhaps that in order to do the inspection with the pipe being different segments that it would cost approximately 7.5 million dollars to do the full test? Does that sound accurate?

10:48:26 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela I apologize I found the testimony I misplaced it. On page 5 at line 7 of your testimony.

10:48:51 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela For just a single inspection you are saying that it would cost essentially 50 million dollars?

10:49:00 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela And then the total replacement of the pipes is I think you all estimated at 91 million dollars or something around there?

10:49:23 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela When are you required to first conduct the inspection?

10:50:34 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela So the two alternatives that you had was [click on link for remarks.]

10:50:47 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela You all were proposing those two alternatives to satisfy a FEMSA Regulation that you expected to go into effect earlier this year but it is not in effect yet?

10:51:05 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela You can correct me if I am wrong, you requested proposals and I guess the technology is potentially available or becoming available that you would be able to inspect pipes of different diameters without taking the instrument in and out? Is that correct?

10:51:35 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela And at this point you are not sure if that technology will be available in time?

10:51:43 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela When you all requested proposals from the companies or contractors to inspect the pipes using the tool that could inspect multi diameter pipes what was their explanation as to the timeline of when they might be able to do that?

10:52:49 AM POST HEARING DATA REQUEST  
Note: Fields, Angela Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela Check individual responses received, in regards to the line above.

10:53:12 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela There was some testimony regarding whether or not a CPCN would be required for the pipeline replacement project. And I know the amount that was in the base period was 9.6 million the total cost of the project I think you all had estimated at 91 million on page 7 of your testimony. Is that accurate?

10:53:46 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela My understanding is that the companies were treating each segment as a separate project and therefore the opinion was that a CPCN is not required? Is that correct?

10:54:24 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela So they would be bid to contractors separately?

10:54:52 AM Staff Atty Bellamy PSC - witness Bellar  
Note: Fields, Angela That's all I have thanks.

10:54:59 AM Chairman Schmitt  
Note: Fields, Angela Commissioner Cicero.

10:55:01 AM Vice Chairman Cicero - witness Bellar  
Note: Fields, Angela I'm curious why you would take the position that no CPCN would be required to go forward with a project without coming to the Commission to get an opinion?

10:55:45 AM Vice Chairman Cicero - witness Bellar  
Note: Fields, Angela I want to follow up on a question that Mr. Bellamy asked [click on link for Vice Chairman Cicero's remarks.]

10:56:02 AM Vice Chairman Cicero - witness Bellar  
Note: Fields, Angela What are the current reserve margins and what will the reserve margins be once the municipal load is loss?

10:56:38 AM Vice Chairman Cicero - witness Bellar  
Note: Fields, Angela So you believe it is somewhere in the 20% range?

10:56:52 AM Vice Chairman Cicero - witness Bellar  
Note: Fields, Angela Thank you I don't have anything else.

10:56:55 AM Chairman Schmitt  
Note: Fields, Angela Commissioner Mathews.

10:56:57 AM Chairman Schmitt  
Note: Fields, Angela I have no questions. Mr. Riggs redirect?

10:57:27 AM Chairman Schmitt  
Note: Fields, Angela Call your next witness.

10:57:32 AM Atty Crosby KU and LG&E - witness Sinclair

10:58:10 AM Chairman Schmitt - witness Sinclair  
Note: Fields, Angela Swearing in.

10:58:19 AM Chairman Schmitt  
Note: Fields, Angela Mr. Riggs.

10:58:22 AM Atty Crosby KU and LG&E - witness Sinclair  
Note: Fields, Angela Would you please state your full name for the record?

10:58:29 AM Atty Crosby KU and LG&E - witness Sinclair  
Note: Fields, Angela And by whom are you employed and what capacity?

10:58:36 AM Atty Crosby KU and LG&E - witness Sinclair  
Note: Fields, Angela Please state your business address?

10:58:42 AM Atty Crosby KU and LG&E - witness Sinclair  
Note: Fields, Angela Did you cause to be prepared and filed in this proceeding written direct and rebuttal testimony?

10:58:48 AM Atty Crosby KU and LG&E - witness Sinclair  
Note: Fields, Angela And are you the sponsor of certain data request answered by the companies in these cases?

10:58:53 AM Atty Crosby KU and LG&E - witness Sinclair  
Note: Fields, Angela Do you have any corrections or updates to your testimony or Data Request today?

10:58:58 AM Atty Crosby KU and LG&E - witness Sinclair  
Note: Fields, Angela Okay and do you adopt that testimony and those request as your testimony today?

10:59:02 AM Atty Crosby KU and LG&E - witness Sinclair  
Note: Fields, Angela Witness is available your honour.

10:59:04 AM Chairman Schmitt  
Note: Fields, Angela Mr. Miller questions?

10:59:05 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Do you happen to have a copy of Dr. Fisher's testimony with you?

10:59:09 AM Atty Miller Sierra Club - witness Sinclair

11:00:20 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela If you could just say a couple of sentences about what OVEC is and what the companies relationship with OVEC is?

11:01:41 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela About a dozen sponsors? Does that sound right?

11:01:57 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Are LG&E and KU's collective share as owners and sponsors of OVEC around 8.13%?

11:02:12 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela LG&E's share happens to be twice as large as KU's [click on link for remarks.]

11:02:29 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela That 8.13% share that the companies have together 152 mega watts peak summer capacity?

11:02:53 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela You noted that the 152 mega watts is 2.3% of the company's reserve margin? Is that right?

11:03:28 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Reference page 51 of Dr. Fisher's testimony. Is it correct that the companies project their summer reserve margin to go no lower than 23.4% through the coming decade?

11:04:08 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela And so if one removed the 2.3% OVEC equivalent from the 23 and change the companies would still be sitting at a 21 no lower than a 21.1% reserve margin without OVEC? Is that right?

11:05:26 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela The companies target range that it has chosen is 17 to 25%? Is that right?

11:05:39 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Are you aware that the respective reserve margins of MYSO, PJM, and TVA are 17.1%, 15.8%, and 15%?

11:05:57 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela I want to go to the Commission's 2011 Order approving the amended ? this is exhibit JIF 4.

11:06:40 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela The ? was first set to end in 2006 and then in 2004 the company came to the Commission and asked for an approval of an amendment of the agreement to continue until 2026? Does that sound right?

11:07:11 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So I guess this would be on page two of the Commission's 2011 Order [ click on link for remarks.]

11:07:33 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So in 2011 here the companies came to the Commission and asked for approval of an extension of the ? for the companies obligations to extend to 2040? Is that right?

11:07:57 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela And so at that time in 2011 the plants are 56 years old? Is that right?

11:08:12 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So the Commission had as part of the record here [click on link for remarks.]

11:08:30 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela And the Commission made a few findings in this order in concluding that it seemed like a good deal and ought to be approved. I am just hoping to highlight three of those.

11:08:46 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So one on page three/two the Commission found [click on link for remarks.]

11:09:38 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Another finding I want to turn your attention to page three [click on link for remarks.]

11:10:08 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Last finding I want to bring your attention to page 3 [click on link for remarks.]

11:10:54 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Okay so with that context I want to ask you, is it your understanding of this order that effectively this approval guarantees the companies recovery of all cost under the ? energy and demand charges it guarantees cost recovery from rate payers for all those cost properly incurred under the ? through 2040?

11:11:44 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So it's not your understanding that this has a kind of lens of presumption of cost recover that the Commission would need to freshly evaluate in any given rate case the cost incurred pursuant to OVEC?

11:12:16 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Hypothetically for the moment if things were to change so drastically [click on link for remarks] Commission could disallow the unreasonable increment? Would that be your understanding?

11:13:28 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela I want to revisit these three findings that I mentioned earlier. The first being the relative low cost of OVEC generation [click on link for remarks] page 30 of Dr. Fisher's testimony.

11:13:50 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela You mad reference to the companies 2018 IRP Reserve Margin Analysis. Do you happen to have a copy of that? Or page 30 of Dr. Fisher's testimony.

11:14:13 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela This is going to be table 9 from the companies 2018 IRP Reserve Margins Analysis which is page 17 of that analysis. It's a chart, table 9.

11:14:27 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Is OVEC the second to highest second to costliest such resource behind ??

11:15:04 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Among the base load units.

11:15:07 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela For reference Brown is 400 and some odd mega watts?

11:15:20 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela And the lowest [click on link for remarks.]

11:15:42 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela The second finding from the order that I wan to note [click on link for comments.]

11:16:29 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So Mr. Bellar indicated and I was just wondering if you agree that we no longer appropriately describe that as base load mode with limited thermal cycling. Would you agree with that?

11:17:08 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela The last point about the environmental expenditures.

11:17:22 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Can you tell me if the respective federal environmental requirements in the [click on link for remarks] where those around in 2011? Were those rules contemplated by the 2011 approval?

11:18:10 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Fairly important point, so if you could look at company response to Sierra Club 1-13. This is on Fisher page 49.

11:20:11 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So some of these are just for following along on Fisher 48 and 49.

11:20:20 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Page 14 carries over to page 15. In 2011 were these existing or pending environmental requirements in 2011?

11:21:18 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela I'm trying to get at whether these three federal rules were in effect at the time that this analysis was done in 2011 [click on link for remarks.]

11:21:58 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So in these board minutes Fisher 49 [click on link for remarks.]

11:22:27 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Do you see those figures?

11:23:16 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela And do you see those numbers without saying them?

11:23:45 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela But I do want to reference you to Fisher at 27 to 28 and this is an expert [click on link for remarks.]

11:24:46 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela And do you see that sir?

11:24:50 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Are you aware of when OVEC will be making a decision on how to comply with those three environmental rules?

11:25:21 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela I think that I see the same thing as you do there.

11:25:23 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Can OVEC make that decision without approval from this Commission?

11:25:38 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela And the members sponsors of OVEC would ultimately have to pay for those cost?

11:26:05 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Do you have a position on whether the companies here LG&E and KU would advise or seek approval from this Commission before OVEC proceeded with that investment decision?

11:26:24 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Just wondering if you [click on link for remarks.]

11:26:50 AM Atty Crosby KU and LG&E - witness Sinclair  
Note: Fields, Angela OBJECTION. RELEVANCE GROUNDS, or ask Mr. Miller to explain how this is going to become relevant.

11:27:23 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela What I am getting at is [click on link for remarks.]

11:29:43 AM Chairman Schmitt  
Note: Fields, Angela SUSTAINED

11:29:45 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Your honour may I move on to another topic?

11:29:58 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Mr. Sinclair you said that theoretically there could be a uneconomic increment that could be disallowed. But I took it that it is your position that this is a economic deal and that all the cost remain fair, just, and reasonable for rate payers?

11:30:28 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Can you point me to the best place to look in the record for that analysis that you have undertaken to make that determination?

11:30:46 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela How about this as a starting point to be more concrete. The Attorney General asked you in AG 14c [click on link for remarks.]

11:31:24 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So I am reading that as it was economic because it was approved?

11:32:22 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Any reason why you did not provide that answer to the question to the Attorney General?

11:32:41 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Well the answer says [click on link for remarks.]

11:32:57 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Sierra Club similarly asked, this is Sierra Club 1 2, identify, discuss, and provide any study or analysis that the company has performed or obtained [click on link for remarks.]

11:33:28 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Your response was [click on link for remarks.]

11:33:40 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So we took that as see AG and the only study or analysis that you have done about cost competitiveness or need the one and only place you point us to is the 2018 IRP Reserve Margin Analysis? Is that right?

11:34:06 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Does the IRP Reserve Margin Analysis ever remove OVEC from the stack of resources?

11:34:33 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela If we are to assess whether this deal is reasonable to rate payers [click on link for remarks.]

11:35:20 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Can we say whether there is a uneconomical increment?

11:35:24 AM Chairman Schmitt - Atty Miller Sierra Club  
Note: Fields, Angela Can you say that there is not?

11:35:26 AM Atty Miller Sierra Club  
Note: Fields, Angela Well we point to several things your honour, and if I may? And correct me Mr. sinclair if you disagree with any of this.

11:36:13 AM Atty Kurtz KIUC  
Note: Fields, Angela OBJECTION [click on link for remarks.]

11:36:57 AM Chairman Schmitt  
Note: Fields, Angela I think that is well taken [click on link for Chairman Schmitt's remarks.]

11:37:12 AM Atty Miller Sierra Club  
Note: Fields, Angela I want to be crystal clear [click on link for remarks.]

11:38:19 AM Chairman Schmitt  
Note: Fields, Angela Lets move on to something else. [Click on link for Chairman Schmitt's remarks.]

11:38:43 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Can I cover one final topic please.

11:38:57 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Mr. Sinclair would you agree that Dr. Fisher's testimony is purely based on economic and reliability concerns that are within the jurisdiction of this Commission?

11:39:23 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela But it is economic in its subject matter correct?

11:39:36 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela There is nothing about climate change [click on link for remarks] its all cost and rate payer impact?

11:40:00 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela But its economic analysis would you agree with that?

11:40:20 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Would you agree that the correctness or incorrectness the relevancy or irrelevancy of the words and figures on his pages don't change based on who put them there?

11:40:55 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Would his math change if you got some Sierra Club person off in another state tweeting about climate change? Does that make his economic analysis more or less sound?

11:41:50 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So that's what you refer to as the confirmation bias right?

11:41:54 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Are you suggesting that, that general phenomenon is unique to Sierra Club and not to company or any other witnesses to this case?

11:42:23 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Are you saying that Sierra Club is uniquely susceptible to this and that everyone elses should be taken for face value but ours should uniquely be questioned and undermined by that?

11:42:57 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Would you agree that we still have to look at each assertion [click on link for remarks.]?

11:43:40 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela I'm just getting at the point you make throughout [click on link for remarks.]

11:45:15 AM Chairman Schmitt - Atty Miller Sierra Club  
Note: Fields, Angela Let me ask you a question [click on link for Chairman Schmitt's Remarks.]

11:46:06 AM Chairman Schmitt - Atty Miller Sierra Club  
Note: Fields, Angela They got their story and you got yours and so we'll try to evaluate it appropriately and properly.

11:46:22 AM Chairman Schmitt - Atty Miller Sierra Club  
Note: Fields, Angela I don't want to be unduly restrictive but at some point arguing with a witness doesn't really accomplish to much.

11:46:33 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Mr. Sinclair I did want to ask you about First Energy Solutions bankruptcy [click on link for remarks.]

11:46:50 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela So you say that the ? is joint and not several so the other members don't absorb immediately the 5% short fall?

11:47:04 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela And so currently OVEC is moving along only getting 95% of its demand charges? Is that right?

11:47:16 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Can you explain what is going to happen?

11:47:45 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Can you confirm one way or another whether the companies will step up to fill in the gap left by First Energy?

11:49:21 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela If a step up provision were to be included that would require an amendment of the ? right? If that were to happen do you agree that you are going to have to come back to the Commission and ask for permission to amend the contract as you did in 2011?

11:50:07 AM Atty Miller Sierra Club - witness Sinclair  
Note: Fields, Angela Thank you very much.

11:50:15 AM Chairman Schmitt  
Note: Fields, Angela Do you have

11:50:17 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela I want to go through the owners of OVEC. Allegheny Energy is that an unregulated entity in Pennsylvania?

11:50:36 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Appalachian Power fully regulated Virginia West Virginia?

11:50:45 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Buckeye Power a unregulated co-opt in Ohio?

11:50:51 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Davis ? an unregulated Ohio utility?

11:51:14 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Duke which would be unregulated Ohio, regulated Kentucky?

11:51:20 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela First Energy Solutions in bankruptcy unregulated?

11:51:24 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Indiana Michigan AP affiliate fully regulated Indiana and Michigan members of PJM?

11:51:32 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela KU and LG&E we know them?

11:51:35 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela ? power unregulated Pennsylvania?

11:51:52 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Ohio Power which is an AP affiliate in Ohio?

11:51:59 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Wolverine Power is that a cooperative in Michigan?

11:52:03 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Do you know if they are a member of MYSA?

11:52:12 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Southern Indiana Electric and Gas which would be Indiana?

11:52:18 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela I know your not a lawyer and I don't want a legal opinion but I want to read you a line from [click on the link for remarks.]

11:52:53 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Do you know if the inner company power agreement is a ? filed rate?

11:53:02 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela Under the doctrine of federal preemption and the filed rate doctrine whether this Commission can disallow ? approved cost?

11:53:18 AM Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair  
Note: Fields, Angela If the inner company power agreement is a ? approved file rate would Sierra Club's argument be better suited for ? rather than this Commission?

11:53:43 AM	Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair Note: Fields, Angela	Would that argument or position be better suited to ? since this is a ? filed rate?
11:54:03 AM	Chairman Schmitt Note: Fields, Angela	I think everybody can argue that when you file a brief.
11:54:07 AM	Atty Kurtz Kentucky Industrial Utility Customers, Inc. (KIUC) - witness Sinclair Note: Fields, Angela	Thank you Mr. Chairman no more questions.
11:54:10 AM	Chairman Schmitt Note: Fields, Angela	Mr. Nguyen do you have anything?
11:54:13 AM	Chairman Schmitt Note: Fields, Angela	How long do you think it is going to take?
11:54:17 AM	Chairman Schmitt Note: Fields, Angela	Lets break until 1 o'clock and at that time we will come back.
11:54:27 AM	Session Paused	
1:00:15 PM	Chairman Schmitt Note: Fields, Angela	Okay we are back on the record. Mr. Nguyen do you have any questions for the witness?
1:00:15 PM	Session Resumed	
1:00:23 PM	Atty Riggs KU and LG&E Note: Fields, Angela	Very briefly your honour [click on link for remarks.]
1:00:43 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	Can you turn to your direct testimony on page 6?
1:00:46 PM	Asst GC Nguyen PSC - witness Sinclair	
1:01:00 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	Page 6 discusses the electric load forecast? Is that correct?
1:01:15 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	And you mention that the companies have not materially changed or approached to load forecasting since the last rate case in 2016? Is that correct?
1:01:30 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	But there could be some incremental changes to it?
1:01:51 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	So the methodology or the data itself?
1:02:11 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	Okay, but updating it to reflect more accurate data?
1:02:18 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	Flip now to page 10 of your testimony regarding the impact of weather on load forecasting.
1:02:35 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	You mention that companies assume that future weather will be the average of the weather experience over the last 20 years? Is that correct?
1:02:45 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	So that's normalized smoothed out any peak or valleys?
1:02:57 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	Flip now to page 24 of your testimony at the bottom of the page.
1:03:10 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	You reference the ? the load of the ? to have an impact on summer peak of 285 mega watts at the time the ? termination notice in 2015? Is that correct?
1:03:40 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	Earlier Mr. Bellar had mentioned that the municipal load was 325 mega watts and I believe in his testimony he also references 325 mega watts for the ? load. So how does that 325 mega watts get factored into the forecast of the summer peak demand?

1:04:35 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela So you look at in terms of the coincidence peak with the system peak to determine the system planning reserve margin all of the factors that go into the load forecast?

1:05:43 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela And the most recent impact is 260 mega watts?

1:05:57 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Lets now flip to page 26 of your direct testimony.

1:06:08 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela In the middle of the page it has the companies forecasted reserve margin for the summer of 2019 being 23 and a half percent. Is that correct?

1:06:22 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Does that 23 and a half percent include the municipal load departure?

1:06:39 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Does it also include the termination of the Bluegrass ? Agreement for unit 3 I believe?

1:06:50 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela So the 23.5% reflects both the deduction of the municipal load 260 mega watts and also the Bluegrass Unit 3 ? ?

1:07:07 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Brown 1 and 2 was 272 mega watts?

1:07:13 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela What was the capacity for the Bluegrass total?

1:07:25 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Even with all that reduction the companies still forecasted Summer 2019s reserve margin to be 23 and a half percent?

1:07:43 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Okay and is KU and LG&E on a combined system basis? Are they summer peaking or winter peaking?

1:08:19 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela And that was of January 2014?

1:08:29 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela And when was the all time summer peak?

1:08:45 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela So I take it for planning purposes of the load forecast for reserve margins its based on the sumer peak versus a winter peak?

1:09:36 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela So what would have been the 2019 winter peak forecast?

1:11:26 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela The load forecast is done on a combined system wide basis, correct?

1:11:47 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela So for LG&E as a set alone system summer peaking or winter peaking?

1:11:59 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela And then KU is predominantly winter peaking?

1:12:17 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela For LG&E's summer peak is it significantly higher than KU summer peak? And then for the LG&E winter peak is that significantly higher than KU's winter peak?

1:12:50 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Has KU and LG&E's reserve margin been as high as 23 and a half percent for the last five years?

1:13:42 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Has a reserve margin been lower? Was it lower in the last, not the current IRP, but the last IRP?

1:15:03 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Can you turn to Mr. Bellar's exhibit in his direct testimony?  
Note: Fields, Angela Page 15 of 40

1:15:49 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela At about the third sentence it notes that the the companies targeted summer reserve margin of 16 to 21%? Is that correct?

1:16:04 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Was that something that was developed in the 2014 IRP?

1:16:10 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela I believe the Attorney General asked this in a Data Request, but I want to get a little clarification from you. Why was there a change or increase from the last IRP to the current IRP of a reserve summer margin of 16 to 21 to 17 to 25%?

1:18:01 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela The 21 to 25 is more of an increase than 16 versus 17?

1:18:22 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Is it the risk of having that one and ten event occurring was more probable in the 2018 IRP than in the 2014 IRP that caused the reserve margin on the upper end to increase from 21 to 25?

1:19:19 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela So that one and ten value was driven in large part by the extreme cold weathers in 2014 and also in 2015?

1:20:21 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela How long would it take for those two winters to not be impacted on a future basis?

1:21:32 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela Just looking at the temperature alone everything else consistent, if it is a one in ten year event, would it be not factored in after a ten year period, or is that a too simplistic way of looking at it?

1:22:31 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela At the bottom of page 26 it shows that the anticipated target summer reserve margin range will be 17 to 25% for 2019 and then for the winter equivalent reserve margin is in a range of 28 to 38% and again is that distinction driven by the fact that KU's load is a lot more ? in the winter time?

1:23:52 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela You were talking about the risk of secondary CTs and the impact of any sort of additional cost in terms of maintaining operations for these secondary CTs that impacts the upper end of the reserve margin analysis as well is this correct?

1:24:56 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela I guess in terms of the characteristics of these secondary smaller CTs on page 28 and 29 of your direct testimony. You talk about [click on link for remarks.]

1:26:04 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela So all of that has an impact on the reserve margin forecast does it not?

1:26:21 PM Asst GC Nguyen PSC - witness Sinclair  
Note: Fields, Angela So for the actual reserve margin if you exclude the small CTs along with the ? and the demand conservation participants that reserve margin would decrease from 23 and a half to 18.1% is that correct?

1:26:47 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	What portion of the small scale CTs are attributable to that reduction?
1:27:10 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	The six small CTs that are at risk of retirement [click on the link for remarks.]
1:27:38 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	So all of those add up to approximately 87 mega watts is that correct?
1:27:44 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	Do you know when the forecasted retirements for those particular units are?
1:29:12 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	So it is just depending on whatever risk?
1:29:40 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	Do you know what the contribution to the reduction in the reserve margins associated with the CSR load?
1:30:21 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	And so then for the demand conservation?
1:30:52 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	And what was the mega watts associated with that?
1:31:03 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	One final question. So is it your testimony then that KU and LG&E's generation portfolio now is reasonable given its reserve margin the forecasted reserve margin in order to provide service to its customers in a reliable manner?
1:32:02 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	So you don't think that a forecast reserve margin of 23.5 is excessive or high?
1:32:11 PM	Asst GC Nguyen PSC - witness Sinclair Note: Fields, Angela	Those are all the questions I have.
1:32:13 PM	Chairman Schmitt Note: Fields, Angela	Commissioner Cicero questions?
1:32:16 PM	Chairman Schmitt Note: Fields, Angela	Commissioner Mathews?
1:32:19 PM	Chairman Schmitt Note: Fields, Angela	I have none. Any redirect?
1:32:25 PM	Atty Crosby KU and LG&E - witness Sinclair Note: Fields, Angela	Do you recall some cross earlier by Counsel for the Sierra Club regarding the reserve margins for PJM and MYSO their target reserve margin?
1:32:38 PM	Atty Crosby KU and LG&E - witness Sinclair Note: Fields, Angela	Do you happen to know whether their actual reserve margins there capacity auctions have been higher or lower than there targets in recent years?
1:32:57 PM	Atty Crosby KU and LG&E - witness Sinclair Note: Fields, Angela	By a way of reference. Mr. Sinclair would you turn to the companies response to KU AG's second round question 14 on page 6 table 1.
1:33:28 PM	Atty Crosby KU and LG&E - witness Sinclair Note: Fields, Angela	Do you see that Mr. Sinclair?
1:33:31 PM	Atty Crosby KU and LG&E - witness Sinclair Note: Fields, Angela	Do those numbers reflect the companies [click on link for remarks.]
1:34:17 PM	Atty Crosby KU and LG&E - witness Sinclair Note: Fields, Angela	That's all I have Mr. Chairman. Thank you.

1:34:20 PM	Chairman Schmitt Note: Fields, Angela	May this witness be excused?
1:34:24 PM	Chairman Schmitt Note: Fields, Angela	You may step down you may be excused.
1:34:28 PM	Chairman Schmitt Note: Fields, Angela	Call your next witness.
1:34:43 PM	Chairman Schmitt - witness Meiman Note: Fields, Angela	Swearing in.
1:34:54 PM	Chairman Schmitt - witness Meiman Note: Fields, Angela	Mr. Ingram you may ask.
1:34:57 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	Would you state your full name for the record please?
1:35:05 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	By whom are you employed Mr. Meiman?
1:35:12 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	What is your job title there?
1:35:17 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	State your business address please?
1:35:25 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	Mr. Meiman did you cause to be prepared and filed in these rate cases both direct and rebuttal testimony?
1:35:34 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	Were you also identified as the responsible witness on a number of data responses that were filed in the record in these rate cases?
1:35:44 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	Do you have any corrections to make in those pieces of testimony or data responses?
1:35:52 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	So would you here today adopt those two pieces of testimony as your testimony today?
1:35:58 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	And would you also adopt the data responses that you provided in the record in these cases? ?
1:36:03 PM	Atty Ingram KU and LG&E - witness Meiman Note: Fields, Angela	Mr. Meiman is available your honour for cross.
1:36:06 PM	Chairman Schmitt Note: Fields, Angela	Any cross examination before we go to staff?
1:36:09 PM	Asst. Atty Gen Chandler - witness Meiman Note: Fields, Angela Note: Fields, Angela	I have a little bit Chairman. Passing out exhibits.
1:39:00 PM	Asst. Atty Gen Chandler - witness Meiman Note: Fields, Angela	All of these documents [click on link.]
1:39:34 PM	Asst. Atty Gen Chandler - witness Meiman Note: Fields, Angela	Mr. Meiman do the companies maintain defined dollar benefit retirement plans for employees that were hired prior to January 1 of 2006?
1:39:58 PM	Asst. Atty Gen Chandler - witness Meiman Note: Fields, Angela	It's a defined dollar benefit plan correct?
1:40:14 PM	Asst. Atty Gen Chandler - witness Meiman Note: Fields, Angela	Would you agree that the Commission calls it a defined dollar benefit plan?
1:40:27 PM	Asst. Atty Gen Chandler - witness Meiman Note: Fields, Angela	Do the companies contribute to those defined benefit plans today?

1:40:33 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Are the companies requesting recovery of test year cost for the companies contributions to those defined benefit plans?
1:40:41 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Do the companies maintain 401K savings plans for employees in which the companies match 70% of an employees voluntary deferred compensation?
1:40:50 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman But that's up to a certain amount correct?
1:40:55 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Are the companies requesting recovery of the test year cost for the companies contributions to the 401k savings plans?
1:41:04 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman So would you agree then that the companies are requesting consumers to pay [right now this question is separately] for companies contributions to both the 401k savings plans and defined benefit pension plans?
1:41:19 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Now the companies 401k contribution is addition to the contributions to the retirement income accounts? Correct?
1:41:56 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Okay so lets break up employees at this point [click on link for remarks.]
1:42:04 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman The pre 2006 employees are defined benefit plan with the possibility of a 401k match and then everyone after that is a defined contribution plan with the option of a 401k?
1:42:22 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Are employees who participate in the defined benefit plans also eligible to participate in the 401k plans?
1:42:33 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Are the companies requesting recovery of the test year contributions to both the defined benefit plans and 401k plans for those employees who participate in both?
1:42:43 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman You would agree then that in the companies last rate cases the Commission made an adjustment to remove the 401k amounts for employees who participated in both the defined benefit and 401k plans?
1:43:09 PM	AG EXHIBIT 1 Note: Fields, Angela Note: Fields, Angela	Page 13 of the KU Order. Asst. Atty Gen Chandler - witness Meiman
1:43:45 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman You would agree there that in the second paragraph [click on the link for remarks.]
1:44:12 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman So the exclusion of the two sections your talking about there that you jst mentioned thats the bargaining and the ?? Correct?
1:44:21 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman On the very last sentence on page 15 that paragraph it says accordingly the Commission denies [click on link for remarks.]
1:45:17 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Do you see that?

1:45:20 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela But you understand that, that is the basis for the adjustment in the previous case correct?

1:45:33 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And then going on to tab 2 if you don't mind.

1:45:46 PM AG EXHIBIT 2  
Note: Fields, Angela Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Page 16 from the LG&E 2016 Order.

1:45:59 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And so you would agree that the justification and language is almost identical in the two orders?

1:46:13 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela The primary difference is the fact that LG&E has gas and electric and that the adjustment numbers are different correct?

1:46:21 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And so that last sentence that starts accordingly [click on link for remarks.]

1:46:43 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you see that?

1:46:44 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And you would understand that those two numbers are the basis for the adjustments in the last case?

1:46:50 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And so you would agree that the Commission only made the adjustment for those four groups correct?

1:47:07 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And they gave direction to the company in that second paragraph by saying [click on link for remarks.]

1:47:24 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you see that?

1:47:27 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And then it says although they will not make a distinction now [click on the link for remarks.]

1:47:39 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And the language is the same as that in the KU case correct?

1:47:43 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Have you reviewed the Duke order that keeps getting thrown around the 2017-00321 case?

1:47:57 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela If you don't mind turn to tab 12 for me?

1:48:13 PM AG EXHIBIT 12  
Note: Fields, Angela Page 22 of that Order; Retirement Plan Expense  
Note: Fields, Angela Asst. Atty Gen Chandler - witness Meiman

1:48:44 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela As you review this you would agree that in the very last paragraph in this section that goes on to page 23 it states that the Commission notes [click on the link for remarks.]

1:49:23 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you see that?

1:49:25 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So you would agree that the Commission gave the same direction to Duke as it did LG&E and KU in the last rate case as it pertains to bargaining employees?

1:49:39 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela They said go fix it for your these employees before your next rate case?

1:49:45 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So we talked about the adjustment amounts in the 2016-370&371 cases that you agreed were the basis for the adjustments. Do you know where the Commission found those numbers in the records of those cases?

1:50:11 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you mind to turn to tab 3.

1:50:23 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And would you agree that this is a Data Request Response in Case No. 2016-371 LG&E's last base rate case?

1:50:32 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And this is a response to Post Hearing Data Request 1-11 from Commission Staff right?

1:50:39 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And you are the responding witness?

1:50:44 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Would you agree that the request here ask for a schedule that list the number of employees who participate in both the retirement plan eligible hire prior 1-1-06 and the savings plan company match and 401k comapny match broken out by KU jurisdictional LG&E electric and LG&E gas?

1:51:12 PM AG EXHIBIT 3  
Note: Fields, Angela Data Request Response in Case No. 2016-00371.  
Note: Fields, Angela Asst. Atty Gen Chandler - witness Meiman

1:51:14 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And the very last page of that exhibit is a chart. And is it your understanding that this is the basis of the adjustments?

1:51:30 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So we got this amount here. Do you mind to walk through this with me?

1:51:43 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So the top line that's just the number of employees who fall under any of those six buckets of categories correct?

1:52:00 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And then the 401k company match pension. Is that the amount of 401k match that the comapny added for each one of those groups?

1:52:22 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So for bargaining unit there was 1.626 million during this time frame match from the company for 401k?

1:52:33 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And so then the company split it up by LG&E KU and other right?

1:52:40 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And so I don't know what the allocation factor there was but whatever it was was 46.08% for LG&E 53.27 for KU and then the rest is other correct?

1:52:51 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And then you took the LG&E and split it between electric and gas right?

1:53:02 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And then the next section you took the LG&E operating expense split? Now I shouldn't guess here but is that taking out the amount that is capitalized?

1:53:19 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So this is the amount that the company will capitalize on any given year?

1:53:25 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And then you go to LG&E gas and it is split again. So the same applies right? [Click on link for remarks.]

1:53:39 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So then now to KU [click on link for remarks.]

1:53:54 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So we can say the bottom right hand corner for instance that 2.626 million dollar number that's the jurisdictional amount of 401k matching for KU during this time period correct?

1:54:11 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So had the Commission not distinguished between all the other buckets of employee classifications that would have been the KU adjustment rather than the 1.7 million? Correct?

1:54:41 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And the hourly correct?

1:54:44 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela I just want to make sure you agree with that answer. [click on the link for remarks.]

1:55:19 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So 900,000 from 2.6 milion would be about 1.7 million and you understand that was the KU adjustment in the last case.

1:55:27 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So it stands to reason that the same applies to the LG&E gas and electric?

1:55:35 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Now going back to the Commission Orders in our tab 1 and 2. Did the companies address the cost of the dual contributions for those employees that participate in both 401k matching and defined contributions benefit plans for those that are in the hourly and bargaining untis?

1:58:23 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela When you say that the Commission directed you to adress it you went to ? for them to study it first? Correct?

1:59:38 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela The Mercer study. When did you all initiate that?

2:00:10 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Was it in 2017 or was it in 2018?

2:00:28 PM POST HEARING DATA REQUEST  
Note: Fields, Angela When was the Mercer study initiated.  
Note: Fields, Angela Asst. Atty Gen Chandler - witness Meiman

2:00:45 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Was that process ongoing while the rates cases ended in 2017?

2:01:07 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela They were after the rate cases?

2:01:26 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Lets turn then to tab 4 if you do not mind.

2:01:35 PM AG EXHIBIT 4  
Note: Fields, Angela A response in the LG&E case to Staff DR 1-39 and you are the responding witness?  
Note: Fields, Angela Asst. Atty Gen Chandler - witness Meiman

2:01:56 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman And the question is provide all current labor contracts and the most recent labor contracts previously in effect? Is that correct?
2:02:03 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman So I have here [click on link for remarks.]
2:02:15 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Can you show me where in this labor contract on what page that the new provisions that you were discussing regarding retirement were included?
2:03:28 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman For the sake of clarity your honour [ click on the link for remarks.]
2:03:47 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman Would you agree with that Mr. Chandler?
2:03:57 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman So 97 of 148 is where the retirement plan begins correct?
2:04:03 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman And so where in this section can I find that you all removed that 401k matching?
2:04:18 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Alright so I got the prior contract but I believe that it is 81 of 124 to attachment two of that response.
2:04:50 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman May I approach Chairman?
2:05:16 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman So do you see on page 81 of 124 of attachment 2 to PSC's Response 1 question number 39?
2:05:28 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman And do you see the section on that page is article 28 retirement income plan and disability benefits?
2:05:38 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman So I believe that this is the corresponding section of the previous agreement?
2:06:58 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman And it actually mentions in the very last sentence 401k correct?
2:07:13 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Well correct but halfway through it says [click on the link for remarks.]
2:07:50 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Does that have anything to do with that, that we are talking about?
2:07:57 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman And then the 2808 does as well correct?
2:08:06 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman And those are the ones in the retirement income account?
2:08:11 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman So I guess I will ask again. Can you show me where from the attachment 1 to the attachment 2 where the company has removed the matching 401k contributions for those employees that participate in both the 401k and the define benefit plan?
2:09:36 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Was the bargaining agreement updated to reflect the removal of 401k contributions to those individuals who also participate in a defined benefit plan?
2:10:24 PM	Asst. Atty Gen Chandler - witness Note: Fields, Angela	Meiman Did you in fact change the plan as to other employees?

2:10:32 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So I understand the language that you put in there to make it more flexible [click on the link for Vice Chairman Cicero's remarks.]

2:11:12 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela If I read this correctly [click on link for Vice Chairman Cicero's remarks.]

2:11:25 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So in the last Order the Commission agreed with the fact that there is defined benefit plan participants and theres defined contribution plan participants is that correct?

2:11:38 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela The Commission did not adjust the other savings plan benefits for those hired after 2006 because [click on the link for Vice Chairman Cicero's remarks.]

2:11:58 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela But in order for this to be effective with the Union Employees you would have to eliminate that match for all company employees? That what is says doesn't it?

2:12:50 PM Vice Chairman Cicero  
Note: Fields, Angela Kent go ahead.

2:12:53 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela As opposed to how the Vice Chairman read it you take this section as saying [click on the link for remarks.]

2:13:17 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So you think this limitis only to those who are pre 1-1-06?

2:13:58 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Going back to the orginial question [click on the link for remarks.]

2:14:10 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela The Mercer study gave you all what you believe to be enough support that you should not stop the contributions to the 401k correct?

2:14:22 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela You alls take on addressing it was just studying it?

2:15:48 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela You did read Mrs. ? testimony in this matter correct? At least as it regards to this issue?

2:15:59 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you know where Mrs. ? got the support for her adjustment? The actual dollar amount for all three of the revenue requirement ??

2:16:16 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Chairman may I approach the witness?

2:16:51 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So I've handed you a copy of Mrs. ? direct testimony here. Do you mind to turn to page 27 of that testimony?

2:17:12 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Will you turn to tab 5?

2:17:32 PM AG EXHIBIT 5  
Note: Fields, Angela Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela This is the response for 1-9 for KU do you see that?

2:17:35 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you mind to show me where in this document that you did the same thing you did in LG&E for the KU bargaining agreement?

2:17:53 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And I think the first one is going to be 89 of 137 is where the health and retirement section is.

2:21:10 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela My reading of the KU one was not identical to the LG&E one correct?

2:21:28 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela You signed the KU and LG&E ones correct?

2:21:33 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Would you agree that it does not appear that the language in the KU one does provide the same flexibility as the one in LG&E

2:21:51 PM POST HEARING DATA REQUEST  
Note: Fields, Angela A narrative description of why you think it reflects the same in the KU and LG&E?  
Note: Fields, Angela Asst. Atty Gen Chandler - witness Meiman

2:22:43 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela I just handed you a copy of Mrs. ? testimony. Do you still have that in front of you?

2:22:54 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you mind to turn to page 27 of her testimony?

2:23:21 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And this would of been the section that you reviewed in reading her testimony the first time correct?

2:23:27 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you see on line 11 page 27 where she explains the adjustment. The question that the attorney asked?

2:23:39 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So you would agree that the question says if the Commission applied the same methodology [click on the link for remarks.]

2:23:50 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Would you agree that that is what it says?

2:23:52 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And what was her answer there?

2:24:18 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Those orders from 2016 those are a little higher than what they were last time?

2:24:31 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela What would make them be higher?

2:24:53 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Maybe more people making the contribution right? Because its a voluntary contribution?

2:25:07 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela KU's is calculated by using the jurisdictional allocation factor correct?

2:25:17 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela We know that with the municipals leaving the jurisdictional allocation factors increase?

2:25:27 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you see that both of those are footnoted with the source of the numbers?

2:25:36 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And those are footnotes 45 and 46. And then would you agree that those appear to be responses to a ? discovery to KU and LG&E?

2:25:47 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So if we turn to tab 6 there.

2:26:02 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And would you agree that tab 6 the first page is data request response 1-60 from KU To ??

2:26:12 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And you are the responding witness?

2:26:14 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And its in this case?

2:26:16 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And the second page is a similar request to LG&E from ?? And you are the responding witness as well?

2:26:24 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And its identified as 1-52 from ??

2:26:32 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And it's in this matter?

2:26:35 PM AG EXHIBIT 6  
Note: Fields, Angela Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Data Request responses from KU and LG&E to ?.

2:26:42 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you mind to just look at this one more time and see if you agree that both of the questions are the same?

2:27:07 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you mind if I read the question here if you read the answer?

2:27:19 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela The question states we'll just do 1-60 in the KU matter for now. [click on the link for question.]

2:27:55 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you see that?

2:27:57 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you mind to read your answer into the record of that request?

2:28:50 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Do you know the basis for the number that you gave?

2:29:06 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela The question ask this in a way of if they applied the same methodology correct?

2:29:17 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela But the response says that in order to be responsive [click on the link for remarks.]

2:29:34 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela So would agree then that the number that was used as an adjustment in Mr. Kollen and Mrs. Mullinax testimony is not inclusive of those bargaining and hourly employees?

2:29:45 PM POST HEARING DATA REQUEST  
Note: Fields, Angela Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela Would you be able to provide a table in the form that you did in Post Hearing 1-11 but updated with the numbers from these cases.

2:29:56 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And would you do that?

2:29:58 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And so that chart would include the amounts that the Commission asked for the companies to address in regards to the bargaining and hourly employees?

2:30:16 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And the question asked do it in the same way that the Commission did it in the last Order agree?

2:30:30 PM Asst. Atty Gen Chandler - witness Meiman  
Note: Fields, Angela And would you agree that these numbers or the numbers updated with the bargaining and hourly don't need to be grossed up for state or federal income tax purposes correct?

2:30:55 PM	Asst. Atty Gen Chandler - witness Meiman Note: Fields, Angela	Is any of the cost do you know from the Mercer study reflected in the rate case expense in this matter?
2:31:32 PM	Asst. Atty Gen Chandler - witness Meiman Note: Fields, Angela	Thank you Mr. Meiman I appreciate it.
2:31:33 PM	Asst. Atty Gen Chandler Note: Fields, Angela	Chairman I would like to move to intorduce AG Exhibit 1-6.
2:31:42 PM	Asst. Atty Gen Chandler - witness Meiman Note: Fields, Angela	Those are all the questions I have Chairman thank you.
2:31:44 PM	Chairman Schmitt Note: Fields, Angela	Mr. Kurtz do you have any questions?
2:31:46 PM	Chairman Schmitt Note: Fields, Angela	Does anyone other than Staff Counsel have any questions for this witness?
2:31:53 PM	Chairman Schmitt Note: Fields, Angela	Okay Mr, Nguyen?
2:31:56 PM	Chairman Schmitt Note: Fields, Angela	Commissioner Cicero questions?
2:31:58 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	Well first let me ask. You constantly refere to this after this evaluation that you determined that the total compensation package was fair and in the companies mind did not need to be adjusted? Is that correct?
2:32:20 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	And so when I look at tab 3 under the AG's exhibits. I look at the back page of AG number 3 [click on link for Vice Chairman Cicero's remarks.]
2:32:49 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	And tell me when you are there?
2:32:52 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	So I look at the table at the bottom and it says active defined benefit plan open to new hires utilities 38%, KY Companies 10%, and general industry 8% correct?
2:33:10 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	So you are in the closed defined benefit plan category? No new participants would that be accurate?
2:33:20 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	58% of utilities, 20% of KY companies, and 13% of the general industry is that right?
2:33:29 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	So in looking at the general industry of 13% and KY companies of 20% [click on the link for Vice Chairman Cicero's remarks.]
2:33:47 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	When compared to other categories other than utilities, there's not very many companies offering this type of a still accumulating benefits and services on a defined benefit that has been closed?
2:40:27 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	You said that you are on the path to no defined benefit plan and you have eliminated 45% of the participants is that right?
2:40:47 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	Whcih means 13 years later you still have 55% of the participants still accumulating benefits in the plan?
2:41:15 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	Well in support you stated that [click on the link for Vice Chairman Cicero's remarks.]

2:41:55 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela But the point of the matter is [click on the link for Vice Chairman Cicero's remarks.]

2:42:07 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So your not paying any premium over that for make up right? Is that correct?

2:42:27 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela Let me give you an example of the difference that a semi-monopoly like LG&E and KU have [click on the link for Vice Chairman Cicero's remarks.]

2:43:10 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela If that dual pension benefit is born by the rate payers? Would you agree with that assessment?

2:43:26 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela Define it how ever you want but there are two pension plans here.

2:46:57 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So first I want to address your convenience store with the different types of soft drinks [click on the link for Vice Chairman Cicero's remarks.]

2:47:12 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela Even tho the volume is the same the cost is different?

2:49:09 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela In reference to the Duke case I think Duke was able to convince the Commission that they were not duplicating benefits.

2:49:21 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela When did LG&E and KU implement their matching savings plan?

2:49:45 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So you had a dual benefit pension plan for 30 years?

2:49:57 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So they were able to receive a company match into a savings plan and receive a defined benefit as well in the defined benefit plan?

2:50:11 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela For 30 years?

2:50:15 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So I guess my question is going to be [click on the link for Vice Chairman Cicero's remarks.]

2:50:40 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela For the last 30 years a employee of LG&E or KU participated in both the defined benefit plan and also was able to contribute money into a savings plan that the comapny matched?

2:51:13 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela I know that the defined benefit plan terminated for new hirees in 2006. So if I rephrase it just those pre 2006 employees are participating in both the defined benefit plan and the savings plan with company matching funds for the last 30 years?

2:51:39 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela And those percentages have not been modified or changed (I'm talking about the savings plan now?)

2:51:51 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela Match?

2:51:54 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela Down or up?

2:51:58 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So I'm curious were the employees pre 2006 have those percentages gone up?

2:52:11 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	Why?
2:54:33 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	So let me go through your testimony a little bit. You were asked about the workforce and total cash compensation right?
2:54:42 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	And I think that you make a statement [click on the link for Vice Chairman Cicero's remarks.]
2:55:00 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	What percentage of, those are on pages 3,4, and 5.
2:55:21 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	So you're making your statement [click on the link for Vice Chairman Cicero's remarks.]
2:55:32 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	I believe that's the argument that you are making for these statements. I just picked out some of your [click on the link for Vice Chairman Cicero's remarks.]
2:56:27 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	So just laying some ground work here okay. You have 3600 to 17 employees [ click on the link for Vice Chairman Cicero's remarks.]
2:56:57 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	Basically a thousand per company would you agree?
2:57:10 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	So how much of that workforce population requires the skill set that you are referring to?
2:57:54 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	Basically take a business person with the right education and slide them in and on the job they will learn the requirements and responsibilities of a particular position would you agree?
3:00:04 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	But in response to your very last comment [click on the link for Vice Chairman Cicero's remarks.]
3:00:12 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	And I think that's what the line of questioning is all about. What is the reasonable level of cost to maintain safe reliable service?
3:02:53 PM	Chairman Schmitt Note: Fields, Angela	Mr. Miller what time does your witness have to catch a plane?
3:03:08 PM	Chairman Schmitt Note: Fields, Angela	What time is his flight? Do you know?
3:03:11 PM	Chairman Schmitt Note: Fields, Angela	It may take more time to get to Louisville than he thinks if he leaves at 2pm.
3:03:22 PM	Chairman Schmitt Note: Fields, Angela	How many witnesses do we have left for LG&E and KU? Do we have three?
3:03:38 PM	Chairman Schmitt Note: Fields, Angela	How many other witnesses of those four does your witness need to have testify before he does? Or does it matter at all?
3:04:05 PM	Chairman Schmitt Note: Fields, Angela	Well I guess what I am saying here is at 10/11 in the morning and we are still going and we put your man on it won't matter if someone testifies about something overlapping correct?
3:04:48 PM	Chairman Schmitt Note: Fields, Angela	You're okay no matter how it works out.

3:04:51 PM	Chairman Schmitt Note: Fields, Angela	What about you Mr. Chandler where does your witness have to go?
3:05:17 PM	Chairman Schmitt Note: Fields, Angela	I'm not sure I would put a lot of faith in that based on past experience.
3:05:36 PM	Chairman Schmitt Note: Fields, Angela	Mr. Kurtz, what about Mr. Kollen?
3:05:50 PM	Chairman Schmitt Note: Fields, Angela	Why don't we take a break and the lawyers can talk about it for a second off the record. Is that alright? Okay we'll be in recess until 3:30.
3:06:05 PM	Session Paused	
3:29:34 PM	Chairman Schmitt Note: Fields, Angela	Okay we are now back on the record and as I understand it [click on the link for Chairman Schmitt's remarks.]
3:29:35 PM	Session Resumed	
3:29:59 PM	Chairman Schmitt Note: Fields, Angela	Does anyone have any objection to Mr. Kollen being excused?
3:30:09 PM	Chairman Schmitt Note: Fields, Angela	With that being the case Mr. Kollen you are permanently excused.
3:31:03 PM	Chairman Schmitt Note: Fields, Angela	Okay are we ready Commissioner Cicero to reconvene your examination?
3:31:12 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	So going back to your original testimony on page 6 line 11 you said [click on the link for Vice Chairman Cicero's remarks.]
3:31:29 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	What is the turnover ratio foro LG&E and KU?
3:31:49 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	That's excluding retirements?
3:31:53 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	Excluding retirements?
3:32:02 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	3.6?
3:32:07 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	3.6 in primarily in what class of employee?
3:32:36 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	13.4?
3:32:37 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	Well I should have asked the question excluding the 13.4 because then it's going to be closer to about 3%?
3:32:51 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	So here is the dilemma. At what point is the insurance policy to retain a low turnover ratio more costly than it is to determine at what point the turnover ratio begins to increase because what you are offering is not adequate?
3:34:17 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	Then I go to page 7 and on line 21 using external market compensation data [click on the link for Vice Chairman Cicero's remarks.]
3:34:39 PM	Vice Chairman Cicero - witness Meiman Note: Fields, Angela	I would challenge you that you are paying premiums [click on link for Vice Chairman Cicero's remarks.]

3:36:01 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela Your minimum is 70% of the 50th percentile so you don't have anybody below 70% of the midpoint?

3:37:07 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela You weren't quoting the market [click on the link for Vice Chairman Cicero's remarks.]

3:37:24 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela Then aren't you going above and beyond what your own study says the market rate is?

3:37:30 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela That would be against comparable position [click on link for Vice Chairman Cicero's comments.]

3:37:40 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela That's how you justify a benchmarking salary right?

3:38:01 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela But LG&E and KU will not?

3:38:04 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela You're a 70% of the 50th percentile?

3:38:30 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela And I may have misinterpreted that as 70% versus 50%.

3:38:49 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So lets switch over to the TIA plan. The bonus plan. LG&E and KU have always had a bonus plan right?

3:39:01 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela And it all came down to whether it was includable in rate case or not?

3:39:55 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So in the past have those plans that LG&E and KU had been permitted because they did not have financial incentives performance in term or were they excluded?

3:41:01 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela And then on page 15 line number 2 the last word of the second sentence on line number 2 and the beginning of line 3 is cost control. Is that not a financial performance measurement?

3:41:32 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela That's a financial performance by the way.

3:41:38 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela That's a financial performance.

3:41:50 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela Well I would think that anyone would argue in the past [click on the link for Vice Chairman Cicero's remarks.]

3:42:37 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So let me look at my notes here on the defined benefit plan.

3:43:01 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela I will make a comment to page 21 line 9 [click on link for Vice Chairman Cicero's remarks.]

3:44:54 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela Wouldn't that categorization fit any old time long term industrial company?

3:49:00 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So with all due respect a clean break would of been a lock and freeze?

3:49:07 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela I've got two last questions. How respective the union negotiators were when you modified the language and did the company have to give something up?

3:50:26 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela So just one last item that I am going to read here it's on page 21 and it's on the middle of line 15 it says elimination of matching payments [click on the link for Vice Chairman's remarks.]

3:50:48 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela I don't need you to comment on it. My only statement to that is [click on the link for Vice Chairman Cicero's remarks.]

3:52:57 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela And I'm going to make one last comment myself [click on the link for Vice Chairman Cicero's remarks.]

3:57:31 PM Chairman Schmitt  
Note: Fields, Angela Do you have any questions?

3:57:33 PM Chairman Schmitt  
Note: Fields, Angela I just have one statement to make [click on link for Chairman Schmitt's remarks.]

3:58:06 PM Chairman Schmitt  
Note: Fields, Angela I have no questions. Mr. Ingram?

3:58:07 PM Atty Ingram KU & LG&E - witness Meiman  
Note: Fields, Angela I have just a little bit of redirect your honour.

3:58:18 PM Atty Ingram KU & LG&E - witness Meiman  
Note: Fields, Angela Mr. Meiman, could you turn to the ? compensation study, that was filed with the companies application?  
Attachment #3 tab 60 page 5 of 8.

3:58:41 PM Atty Ingram KU & LG&E - witness Meiman  
Note: Fields, Angela Could you describe the meaning of that table as it relates to company employees total compensation including incentive comp compared to market medians in the utility industry and the general industry?

4:01:31 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela If the table was developed utilizing utility and general market. Does the utilities include Kentucky Utilities and can you confirm that it also includes the general industries in the benchmark?

4:02:42 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela From Kentucky?

4:03:37 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela I mean we probably have a copy of the study [click on the link for Vice Chairman Cicero's remarks.]

4:04:25 PM Vice Chairman Cicero - witness Meiman  
Note: Fields, Angela I didn't mean to steal Counsel's questions. i'm sorry.

4:04:27 PM Atty Ingram KU & LG&E - witness Meiman  
Note: Fields, Angela But is it fair to say Mr. Meiman that the conclusion of the ? study is that including incentive comp the compensation pay to company employees is below market median?

4:05:29 PM Atty Ingram KU & LG&E - witness Meiman  
Note: Fields, Angela On the TIA plan itself a copy of which was attached to your direct testimony. Is that correct Mr. Meiman?

4:05:40 PM Atty Ingram KU & LG&E - witness Meiman  
Note: Fields, Angela Vice Chairman Cicero asked about a component of a particular TIA award being cost controlled is that correct?

4:05:49 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman So I want to make sure that the record is perfectly clear there is absolutely no financial predicate to employees getting a TIA award is that correct?
4:06:02 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman Once an individuals award is determined part of the formula includes a cost controlled measure is that right?
4:06:19 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman Do you recall what percentage of an individuals TIA award is factored in based on the cost controlled measure?
4:06:41 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman If an employee is effective in controlling cost in your opinion is that a direct benefit to customers?
4:06:52 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman Are there any segments of the employee population within the service company that are highly skilled in nature uniformly across that segment?
4:07:28 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman Just a few questions on the retirement benefits your honour and then I will be finished.
4:07:32 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman There has been a mention earlier today about the Commission's decision on the 401k matching issue in the Duke Energy case that was decided in April of 2018. Are you familiar generally with the record in that case Mr. Meiman?
4:07:53 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman Is it your understanding that Duke Energy closed its defined benefit pension plan to new participants in 2014?
4:08:09 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman And remind me when the companies closed their defined pension benefit plan?
4:08:21 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman Eight years prior?
4:08:24 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman Have the companies in an effort to manage their risk in respect to their defined pension benefit plan. Have they offered lump sum buy outs to participants?
4:11:35 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman One more question on the Duke Energy case. Based on your understanding of the record in that case did Duke Energy closed and froze its pension benefit plan, did it transition employees to a cash balance plan?
4:13:57 PM	Atty Ingram KU & LG&E - witness Note: Fields, Angela	Meiman Thank you Mr. Meiman I have no further redirect.
4:13:59 PM	Chairman Schmitt Note: Fields, Angela	Is there any reason why this witness cannot be finally excused?
4:14:05 PM	Chairman Schmitt Note: Fields, Angela	Thank you. You may step down you have been excused.
4:14:10 PM	Asst. Atty Gen. Chandler Note: Fields, Angela	Chairman as Mr. Meiman steps down may I move to intorduct AG's Exhibit 12?
4:14:26 PM	Chairman Schmitt Note: Fields, Angela	Your next witness?
4:14:43 PM	Chairman Schmitt - witness Garret Note: Fields, Angela	Swearing in.

4:14:57 PM Chairman Schmitt  
Note: Fields, Angela Mr. Riggs.

4:14:58 PM Atty Riggs KU and LG&E - witness Garrett  
Note: Fields, Angela Please state your full name?

4:15:02 PM Atty Riggs KU and LG&E - witness Garrett  
Note: Fields, Angela Please state your business title?

4:15:06 PM Atty Riggs KU and LG&E - witness Garrett  
Note: Fields, Angela Please state your business address?

4:15:12 PM Atty Riggs KU and LG&E - witness Garrett  
Note: Fields, Angela Mr. Garrett did you cause to be prepared and filed in these cases direct testimony and rebuttal testimony ??

4:15:20 PM Atty Riggs KU and LG&E - witness Garrett  
Note: Fields, Angela Subject to the updates and [inaudible]?

4:15:30 PM Atty Riggs KU and LG&E - witness Garrett  
Note: Fields, Angela He's available for any questions your honour.

4:15:32 PM Chairman Schmitt  
Note: Fields, Angela Any questions?

4:15:34 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela I have a few for Mr. Garrett courtesy of Mr. Meiman.

4:15:36 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela Do you have the large black binder that has witness on the front of it or has it been taken?

4:16:01 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela Would you mind to turn to tab 3 in that which is AG's Exhibit 3 in this case? The last page of that exhibit.

4:16:26 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela It's the attachment to the response PSC Post Hearing Question number 11 attachment 2. It's a chart.

4:16:39 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela So this is the last page from AG's Exhibit 3 [click on link for remarks.]

4:17:16 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela Do you remember that discussion?

4:17:18 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela And so would you agree that given that these are operating expenses amounts that if the Commission did make the adjustment either including or excluding the hourly and bargaining unit the adjustment would just be the operating expense amount here grossed up for bad debt and the PSC assesment?

4:17:35 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela And that it would not need to be grossed up for taxes correct?

4:17:50 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela And so that calculation would be the operating income adjustment that needs to be made?

4:17:57 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela Were you in the room earlier when I was asking Mr. Meiman about the Mercer and ? studies?

4:18:07 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela He was discussing that those were the basis of the combined [click on the link for remarks.]

4:18:23 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela Do you remember that conversation?

4:18:29 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela I just want to know the Mercer and ? study are the cost to the companies incurred to ascertain those are those reflected as rate case expense in these matters?

4:18:54 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela Well let me be clear I am not asking whether they are included in the forecasted rates, whether or not they are included in rate case expense, in which the companies are allowed to recover in these matters?

4:19:08 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela Both of them?

4:19:12 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela And that is something that would be reflected into the record with the invoices that are provided by you in response to the Staff's initial data request?

4:19:22 PM Asst Atty Gen Chandler - witness Garrett  
Note: Fields, Angela That's all the questions I have for Mr. Garrett.

4:19:25 PM Chairman Schmitt  
Note: Fields, Angela Anyone else have questions for this witness?

4:19:28 PM Chairman Schmitt  
Note: Fields, Angela Staff?

4:19:41 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela I'm looking at the companies response [click on link for remarks.]

4:20:37 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela We are just curious what the difference is and why the cost increase for LG&E was more significant than the cost increase for KU? And generally what accounts for the cost increase?

4:21:49 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Well if we need it I guess I will do a Post Hearing Data Request.

4:22:28 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela With respect to the manner in which LG&E and KU engage in financing. They don't engage in financing on a project basis is that correct?

4:23:09 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela I'm looking at LG&E's response to Staff's 3rd Request for Information item number 10a.

4:23:51 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela I'll read the question of subpart a. [Click on the link for question.]

4:24:21 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Were you responsible for the answer to this?

4:24:25 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Could you just read the response to subpart a?

4:24:57 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela This is LG&E's response but I believe the answer was the same for KU, is that accurate?

4:25:06 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Why is the fact that the deferred taxes are generally adjusted quarterly for budgeting purposes rather than monthly leave the companies to believe that it is more appropriate to spread the changes in activity evenly when calculating the pro rata balance?

4:26:19 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela So it moves monthly because of the ITC adjustments you said?

4:26:29 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela And then on a quarterly basis you are estimating the companies taxes?

4:26:35 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela And making a quarterly payment?

4:26:41 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela So every quarter at the end of each quarter you are then occurring a larger increase or decrease in deferred taxes depending on the timing difference between the tax and book depreciation?

4:27:18 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela The second part of that question it says [click on link for remarks.]

4:27:31 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Why is that mechanism consistent with the core principles of that guideline?

4:27:54 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela And that's what the core principle in ASC?

4:28:02 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Would you agree that the accumulation of deferred taxes it is affected by the amount of taxes owed during a specific period but also it is affected by the timing differences during a specific period? Is that accurate?

4:28:27 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela In a single tax year if you were to spread the tax expense across an entire year, the changes in the deferred tax balance could be different in any give month based on the timing differences in that month even if the amount of taxes in that month were the same as a later month?

4:29:19 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela The second part of that question referred to 26CFR Section 1.167 L1 are you familiar with that regulation?

4:29:39 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Are you familiar with the examples that are provided in the regulation?

4:30:15 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Is there anything in ASC 740270 that requires you to spread the change in deferred taxes across the entire period?

4:30:32 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela The reason I am asking is [click on the link for remarks.]

4:31:17 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Is that approximately how you understand it?

4:31:23 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela My understanding is that, the reason for the pro rata method is [click on the link for remarks.]

4:32:00 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela If you had a 12 month period and say there was no change in ADIT and there was a large increase in ADIT in the very last month the pro rata method says you [click on the link for remarks.]

4:32:25 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela Is that correct?

4:33:04 PM Staff Atty Bellamy - witness Garrett  
Note: Fields, Angela If there was a large increase in ADIT in the end at the very last month in the future test period and the Commission were to order that change be spread across the entire year do you think that, that would be inconsistent with the pro rata method?

4:33:31 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	Imagine there is no other change in ADIT in a future test period. There is a significant increase in ADIT in the last month of the test period. Which the pro rata method would indicate you would multiply by one and divide by 365. Would it be inconsistent with the pro rata method as defined in the treasury regulation, to essentially divide that change in the last month by 12 and spread it across the future test period?
4:35:24 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	I'm just looking at your rebuttal testimony at page 7.
4:35:38 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	I can read it to you [click on link for remarks.]
4:36:19 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	Do you still agree with that statement?
4:36:22 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	And it is basically saying that [click on link for remarks.]
4:37:06 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	And the reverse of that assuming all things are even. Would the extension of the plant lifes create any additional cost to the companies?
4:37:37 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	But if they were earning a rate of return on the additional capitalization?
4:37:49 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	They would be made whole?
4:37:50 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	Was that a yes? I am sorry.
4:38:05 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	And I don't know if these questions are for Mr. Blake or for you and these are my last two or so.
4:38:34 PM	Staff Atty Bellamy - witness Garrett Note: Fields, Angela	I didn't have any other questions. Thank you
4:38:36 PM	Chairman Schmitt Note: Fields, Angela	Commisioner Cicero questions?
4:38:39 PM	Chairman Schmitt Note: Fields, Angela	Commissioner Mathews?
4:38:41 PM	Chairman Schmitt Note: Fields, Angela	I have none.
4:38:42 PM	Chairman Schmitt Note: Fields, Angela	Any redirect?
4:38:44 PM	Chairman Schmitt Note: Fields, Angela	May this witnes be excused?
4:38:47 PM	Chairman Schmitt - witness Garrett Note: Fields, Angela	Thank you. You may step down and be excused.
4:38:50 PM	Chairman Schmitt Note: Fields, Angela	Do you want to see if we can get one more?
4:38:52 PM	Atty Riggs KU and LG&E Note: Fields, Angela	Yes your honour, we are in a point in our case where we can break and [click on link for remarks.]
4:39:10 PM	Chairman Schmitt Note: Fields, Angela	Does anybody have any objection to taking Mr. Fisher at this time?
4:39:47 PM	Chairman Schmitt Note: Fields, Angela	Alright well Mr. Miller call your witness?
4:39:50 PM	Atty Miller Sierra Club - witness Fisher Note: Fields, Angela	I call Doctor Jeremy Fisher on behalf of the Sierra Club to the stand.

4:39:59 PM Chairman Schmitt - witness Fisher  
Note: Fields, Angela Swearing in.

4:40:23 PM Atty Miller Sierra Club - witness Fisher  
Note: Fields, Angela Dr. Fisher will you please state your full name for the record?

4:40:29 PM Atty Miller Sierra Club - witness Fisher  
Note: Fields, Angela And could you identify your employer and job title?

4:40:39 PM Atty Miller Sierra Club - witness Fisher  
Note: Fields, Angela What is your business address?

4:40:45 PM Atty Miller Sierra Club - witness Fisher  
Note: Fields, Angela Did you cause to be prepared written direct testimony on behalf of Sierra Club in these proceedings?

4:40:53 PM Atty Miller Sierra Club - witness Fisher  
Note: Fields, Angela And are you the sponsor of certain responses to Data Request from Staff and the companies?

4:41:02 PM Atty Miller Sierra Club - witness Fisher  
Note: Fields, Angela Do you have any corrections to your testimony to make?

4:41:09 PM Atty Miller Sierra Club - witness Fisher  
Note: Fields, Angela Thank you very much.

4:41:15 PM Chairman Schmitt  
Note: Fields, Angela Mr. Riggs cross examination?

4:41:39 PM Chairman Schmitt  
Note: Fields, Angela You don't want to go first?

4:41:50 PM Chairman Schmitt  
Note: Fields, Angela Mr. Kurtz please?

4:41:51 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela Clifty Creek is one of the OVEC Power Plants?

4:41:53 PM Atty Kurtz KIUC - witness Dr. Fisher

4:42:01 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela It's located in Madison Indiana?

4:42:05 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela And OVEC is owned by utilities or unregulated power marketors in seven states?

4:42:15 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela Ohio, Pennsylvania, West Virginia, Virginia, Indiana, Michigan, and Kentucky?

4:42:21 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela Your second recommendation to the Commission, the beginning of your testimony is that the Commission should open an investigation?

4:42:37 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela To timely initiate a new docket [click on link for remarks.]

4:43:07 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela Is that a fair summary of your second recommendation?

4:43:14 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela Do you know where the coal provided to the Clifty Creek Power Plant is sourced?

4:43:33 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela Do you understand that almost all of the coal for the Clifty Creek Power Plant for 2018 was provided by Alliance Coal Riverview Mine in Union County Kentucky?

4:43:51 PM Atty Kurtz KIUC - witness Dr. Fisher  
Note: Fields, Angela I'm just talking about the Clifty Creek Power Plant not the ? OVEC units?

4:44:12 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	Now if the Clifty Creek Power Plant was shut down and almost all of the coal was provided from Kentucky coal mines, wouldn't the shutdown of Clifty Creek hurt the Kentucky economy more than the other states that have OVEC ownership?
4:45:28 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	In this investigation to determine any other relevant questions wouldn't it be relevant for the Commission to take into account the 2.3 million tons of coal that came out of Union County Kentucky to the Clifty Creek Power Plant in 2018?
4:45:47 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	What about the 180 direct mining jobs at the Riverview Coal Mine?
4:46:38 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	For example if the analysis showed that staying in the OVEC contract would [click on link for remarks.]
4:46:59 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	Is that what you are saying it would be relevant?
4:47:02 PM	Atty Miller Sierra Club Note: Fields, Angela	OBJECTION
4:47:10 PM	Chairman Schmitt Note: Fields, Angela	Overruled. You may answer if you know.
4:47:27 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	What about the 4.6 million dollars in Kentucky severance taxes paid to Union County in 2018? Would that be relevant?
4:47:46 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	What about the 5.5 million in Kentucky's whole royalties paid in 2018?
4:47:59 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	What about the \$952,000.00 of Kentucky's sales and property taxes?
4:48:10 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	So if the Commission were to grant your second recommendation and take a look at the companies participation in OVEC it would be relevant to look at the impact on coal mining in Kentucky? Do you agree with that?
4:48:30 PM	Atty Miller Sierra Club Note: Fields, Angela	SAME OBJECTION. [Click on the link for remarks.]
4:48:43 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	Do you understand the question?
4:48:54 PM	Chairman Schmitt Note: Fields, Angela	You may answer the question.
4:49:52 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	One last question. Would it be relevant for the Commission to consider whether or not with the closure of Clifty Creek the Riverview Mine would shutdown and therefore provide KU with no revenue and therefore other consumers would have to make up the lost revenue from the shutdown coal mine?
4:50:17 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	Well [click on the link for remarks.]
4:50:39 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	Would that be relevant?
4:51:37 PM	Atty Kurtz KIUC - witness Dr. Fisher Note: Fields, Angela	Thank you Mr. Chairman.
4:51:38 PM	Chairman Schmitt Note: Fields, Angela	Questions?

4:51:41 PM	Chairman Schmitt Note: Fields, Angela	Anyone else have any questions for Dr. Fisher?
4:51:45 PM	Chairman Schmitt Note: Fields, Angela	Anyone else other than staff? If not Mr. Bellamy go ahead.
4:51:51 PM	Staff Atty Bellamy PSC - witness Note: Fields, Angela	Dr. Fisher I just wanted to clarify in your testimony you were not recommending any specific adjustment to either of the companies revenue requirement? Is that correct?
4:52:01 PM	Staff Atty Bellamy PSC - witness Note: Fields, Angela	Dr. Fisher Do you dispute the testimony of the companies witnesses regarding their obligation under the contract to pay demand charges regardless of whether or not they purchase energy from OVEC?
4:52:35 PM	Staff Atty Bellamy PSC - witness Note: Fields, Angela	Dr. Fisher Do you dispute the companies testimony that they are responsible under the contract for a a pro rata share of the debt incurred by OVEC?
4:52:58 PM	Staff Atty Bellamy PSC - witness Note: Fields, Angela	Dr. Fisher That's all the questions I had. Thank you.
4:53:02 PM	Chairman Schmitt Note: Fields, Angela	Commissioner Cicero questions?
4:53:04 PM	Chairman Schmitt Note: Fields, Angela	Commissioner Mathews?
4:53:07 PM	Commissioner Mathews - witness Note: Fields, Angela	Dr. Fisher In the covering of OVEC's cost of the capacity [click on link for remarks.]
4:53:38 PM	Commissioner Mathews - witness Note: Fields, Angela	Dr. Fisher Does that change your analysis at all?
4:55:28 PM	Commissioner Mathews - witness Note: Fields, Angela	Dr. Fisher Even with some of the proposed changes to that capacity market that would reflect a higher benefit to units that were large base load units?
4:56:17 PM	Commissioner Mathews - witness Note: Fields, Angela	Dr. Fisher I might have a Post Hearing Data Request.
4:56:20 PM	Chairman Schmitt Note: Fields, Angela	Mr. Riggs or Mr. Crosby any redirect?
4:56:35 PM	Atty Miller Sierra Club - witness Note: Fields, Angela	Dr. Fisher You did not report to testify ? one way or the other on how or whether the considerations that Mr. Kurtz mentioned should factor into the Commission's decision making?
4:57:08 PM	Atty Miller Sierra Club - witness Note: Fields, Angela	Dr. Fisher I just wanted to finish a sentence [click on the link for remarks.]
4:57:31 PM	Atty Miller Sierra Club - witness Note: Fields, Angela	Dr. Fisher That's the fuller recommendation?
4:57:38 PM	Atty Miller Sierra Club - witness Note: Fields, Angela	Dr. Fisher And that second part is contemplating the possibility that there could be an unreasonable uneconomic increment of the revenue recovery from retail customers?
4:58:01 PM	Atty Miller Sierra Club - witness Note: Fields, Angela	Dr. Fisher And you have not seen that justified in the record?
4:58:11 PM	Atty Miller Sierra Club - witness Note: Fields, Angela	Dr. Fisher Thank you very much.
4:58:12 PM	Atty Crosby KU & LG&E - witness Note: Fields, Angela	Dr. Fisher Now I do have some cross if I may. Two questions.

4:58:21 PM	Atty Crosby KU & LG&E - witness Dr. Fisher Note: Fields, Angela	Your second recommendation is that this Commission should open a new later proceeding to address this issue correct?
4:58:30 PM	Atty Crosby KU & LG&E - witness Dr. Fisher Note: Fields, Angela	The Sierra Club does not have a position about some portion of the OVEC cost that might be uneconomic in the rates proposed in this proceeding?
4:59:00 PM	Atty Crosby KU & LG&E - witness Dr. Fisher Note: Fields, Angela	We're not talking about rates in this case, we're talking about future proceeding to consider this, that is your recommendation?
4:59:06 PM	Atty Crosby KU & LG&E - witness Dr. Fisher Note: Fields, Angela	Nothing further your honour. Thank you.
4:59:07 PM	Chairman Schmitt Note: Fields, Angela	I'll give you one more bite?
4:59:12 PM	Chairman Schmitt Note: Fields, Angela	Is there any reason why Dr. Fisher cannot be excused?
4:59:16 PM	Chairman Schmitt Note: Fields, Angela	You may step down Dr. Fisher.
4:59:20 PM	Chairman Schmitt Note: Fields, Angela	Do you want to put on your witness Mr. Chandler?
5:01:00 PM	Chairman Schmitt Note: Fields, Angela	We'll recess until 9am in the morning at which time we will finish KU and LG&E witnesses.
5:01:15 PM	Session Paused	
8:29:25 AM	Session Ended	



## Exhibit List Report

2018-00294 & 2018-00295  
05Mar2019

**Kentucky Utilities and Louisville  
Gas and Electric**

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<b>Name:</b>	<b>Description:</b>
AG EXHIBIT 1	Case No. 2016-00370 Order
AG EXHIBIT 12	Case No. 2017-00321 Order
AG EXHIBIT 2	Case No. 2016-00371 Order
AG EXHIBIT 3	Louisville Gas and Electric Company's Response to Commission Staff's Post Hearing Request for Information
AG EXHIBIT 4	Louisville Gas and Electric Company's Response to Commission Staff's First Request for Information
AG EXHIBIT 5	Kentucky Utilities Company's Response to Commission Staff's First Request for Information
AG EXHIBIT 6	Kentucky Utilities Company's Response to First Set of Data Request of Kentucky Industrial Utility Customers, Inc.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY )  
UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ) CASE NO.  
ELECTRIC RATES AND FOR CERTIFICATES OF ) 2016-00370  
OF PUBLIC CONVENIENCE AND NECESSITY )

ORDER

Kentucky Utilities Company ("KU") is a jurisdictional electric utility that generates, transmits, distributes, and sells electricity to consumers in portions of 77 counties in central, northern, southeastern, and western Kentucky.<sup>1</sup> Its most recent general rate increase was granted in Case No. 2014-00371.<sup>2</sup>

BACKGROUND

On October 21, 2016, KU filed a notice of its intent to file an application for approval of an increase in its electric rates based on a forecasted test year ending June 30, 2018. On November 23, 2016, KU filed its application, which included new rates to be effective January 1, 2017, based on a request to increase its electric revenues by \$103.1 million, or 6.4 percent per year for the forecasted test period ending June 30, 2018, as compared to the operating revenues for the forecasted test period under existing electric rates.<sup>3</sup> The proposed increase would raise the monthly bill

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<sup>1</sup> See KU's Application, ¶ 2 for a list of the counties served.

<sup>2</sup> Case No. 2014-00371, *Application of Kentucky Utilities for an Adjustment of Its Electric Rates* (Ky. PSC June 30, 2015):

<sup>3</sup> Application, ¶ 6.

of an average residential customer by \$7.16, or 5.9 percent.<sup>4</sup> The average KU residential customer consumes approximately 1,179 kilowatt-hours (“kWh”) of electricity monthly.<sup>5</sup> KU’s application included requests for Certificates of Public Convenience and Necessity (“CPCNs”) to implement an Advanced Meter System (“AMS”) and a Distribution Automation system (“DA”). KU stated that the AMS project would involve replacing approximately 530,000 existing electric meters in its service territory with AMS meters, which have two-way communications and remote service switching capabilities.<sup>6</sup> The estimated capital cost of the AMS project is \$138.8 million.<sup>7</sup> The estimated incremental operating and maintenance cost during the deployment phase is approximately \$13.7 million.<sup>8</sup> The deployment period was expected to begin in late 2017 and to be completed by the end of 2019.<sup>9</sup> KU also requested authority to establish a regulatory asset for the remaining net book value of the electric meters retired as a result of the proposed AMS project.<sup>10</sup> KU estimated that the amount of this regulatory asset would be approximately \$26.9 million.<sup>11</sup> In connection with the proposed AMS project, KU also sought deviations from certain regulations dealing with meter inspections and testing.

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<sup>4</sup> *Id.*, ¶ 7.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*, ¶ 14.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*, ¶ 33.

<sup>11</sup> *Id.*

According to KU, the proposed DA project involves the extension of intelligent control over electric power grid functions to the distribution system level.<sup>12</sup> The project will enable KU's distribution system to provide real-time information and allow for remote monitoring, remote control, and automation of distribution line equipment.<sup>13</sup> For both KU and Louisville Gas & Electric Company ("LG&E"), KU's sister company,<sup>14</sup> the total capital cost of the proposed DA project is approximately \$112 million.<sup>15</sup> The project will be completed in approximately seven years.<sup>16</sup> Of the total capital expenditure, KU estimated \$23 million to be incurred before the end of the forecasted test year on June 30, 2018.<sup>17</sup> KU and LG&E (jointly "Companies") estimated the operations and maintenance ("O&M") expense related to the proposed DA project to be \$6 million over the seven-year implementation period, \$1.16 million of which will be incurred before the end of the forecasted test year.<sup>18</sup> The DA project will affect approximately 20 percent of the Companies' circuits, 40 percent of the Companies' distribution line miles, and 50 percent of the Companies' customers.<sup>19</sup>

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<sup>12</sup> *Id.*, ¶ 23.

<sup>13</sup> *Id.*

<sup>14</sup> LG&E has also filed a base rate application seeking, among other things, an increase in its electric and gas rates. That application is docketed as Case No. 2016-00371, *Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and for Certificates of Public Convenience and Necessity* (Application filed Nov. 23, 2016).

<sup>15</sup> Application, ¶ 30.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*, ¶ 31.

<sup>19</sup> *Id.*, ¶ 23.

KU estimated that it will receive approximately \$861,843 of jurisdictional reservation and termination fees in connection with agreements related to the refined coal production facilities at the Companies' Ghent, Mill Creek, and Trimble County Generating Stations.<sup>20</sup> Pursuant to Case No. 2015-00264,<sup>21</sup> KU has been recording these proceeds as a regulatory liability and it now proposes to amortize this regulatory liability over three years.<sup>22</sup>

Lastly, KU also submitted a depreciation study in support of its application and requests that its proposed depreciation rates be approved.

Pursuant to the Commission's December 13, 2016 Order, KU's new rates, which were proposed to become effective on January 1, 2017, were suspended for six months, up to and including June 30, 2017. The December 13, 2016 Order also established a procedural schedule, which provided for a deadline for filing intervention requests; two rounds of discovery upon KU's application; a deadline for the filing of intervenor testimony; one round of discovery upon any intervenor testimony; and an opportunity for KU to file rebuttal testimony.

The following parties were granted intervention in this proceeding: the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Kroger Company ("Kroger"); Wal-Mart Stores East, LP and Sam's East, Inc. (jointly "Wal-Mart"); Kentucky School Boards Association ("KSBA"); Kentucky Cable Telecommunications

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<sup>20</sup> *Id.*, ¶ 39.

<sup>21</sup> Case No. 2015-00264, *Application of Louisville Gas and Electric Company and Kentucky Utilities Company Regarding Entrance into Refined Coal Agreements, for Proposed Accounting and Fuel Adjustment Clause Treatment, and for Declaratory Ruling* (Ky. PSC Nov. 24, 2015).

<sup>22</sup> Application, ¶ 39.

Association ("KCTA"); Alice Howell, Carl Vogel, and Sierra Club (jointly "Sierra Club"); BellSouth Telecommunications, LLC d/b/a AT&T Kentucky ("AT&T"); Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC"); Lexington-Fayette Urban County Government ("LFUCG"); and Kentucky League of Cities ("KLC").

Informal conferences ("IC") were held at the Commission's offices on April 12, 13, and 17, 2017, which resulted in all of the parties to this matter, with the exception of AT&T and KCTA, reaching a settlement agreement in principle on all issues other than those involving the Companies' proposed Rate PSA – Pole and Structure Attachment Charges.<sup>23</sup> On April 19, 2017, KU and LG&E filed a motion requesting leave to submit the written Stipulation and Recommendation ("First Stipulation") intended to address all of the issues, except for the proposed Rate PSA tariff, in the two respective rate cases. An additional IC was held on April 25, 2017, for the limited purpose of discussing and possibly resolving the issues associated with the Companies' proposed Rate PSA tariff. The Companies, KCTA, and AT&T were able to reach an agreement in principle for the resolution of all material issues pertaining to the proposed Rate PSA tariff. On May 1, 2017, KU and LG&E filed a motion requesting leave to submit the written Second Stipulation and Recommendation ("Second Stipulation"), which addresses all of the issues related to the Companies' proposed Rate PSA tariff.

The Commission held information sessions and public meetings for the purpose of taking public comments on April 11, 2017, in Louisville, Kentucky, at Jefferson Community and Technical College; on April 12, 2017, in Madisonville, Kentucky, at

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<sup>23</sup> The informal conferences were jointly held to discuss issues in the instant matter and to discuss issues related to the LG&E rate case, Case No. 2016-00371.

Madisonville Community College; and on April 18, 2017, in Lexington, Kentucky, at the Lexington Public Library – Northside Branch.

A formal hearing was held on May 9, 2017, for the purposes of cross-examination of all witnesses and for the consideration of the two stipulations.<sup>24</sup> Pursuant to a May 3, 2017 Order, the Commission required all of the Companies' employee witnesses as well as the Companies' consultant Steven Seelye, KIUC's witness Stephen Baron, and KSBA's witness Ronald Willhite to be present at the hearing.<sup>25</sup> The May 3, 2017 Order provided the parties to this matter an opportunity to cross-examine any of the other witnesses and, accordingly, directed the parties to the two cases to submit written notice on or before May 5, 2017, setting forth the name of each witness that each party intended to cross-examine at the formal hearing.<sup>26</sup> The May 3, 2017 Order noted that in the absence of a notice identifying witnesses whose attendance was not required by the Commission, the parties would be deemed to have waived cross-examination of those witnesses. None of the parties submitted a notice, and the only witnesses presented for cross-examination were those set forth above as named in the May 3, 2017 Order.

KU filed responses to post-hearing data requests on May 26, 2017, and on June 9, 2017. KSBA filed responses to post-hearing data requests on May 26, 2017. All the parties also filed post-hearing statements indicating they would not object to, or withdraw from, the First Stipulation, regardless whether all schools, including non-public

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<sup>24</sup> See May 3, 2017 Order at 2.

<sup>25</sup> *Id.* at 3.

<sup>26</sup> *Id.*

schools, are included in the optional pilot program for schools as set forth in Article IV, paragraph 4.11 of the First Stipulation. On May 31, 2017, the AG, Sierra Club, CAC, LFUCG, Metropolitan Housing Coalition ("MHC"), Association of Community Ministries ("ACM"), and Louisville/Jefferson County Metro Government ("Louisville Metro"),<sup>27</sup> filed a joint post-hearing brief in the instant matter and in the LG&E rate case proceeding recommending approval of the Residential Basic Service Charge as set forth in the First Stipulation. On May 31, 2017, KU, KIUC, and Kroger filed their respective post-hearing briefs recommending approval of the First and Second Stipulations. On June 1, 2017, KSBA filed a separate post-hearing brief addressing the legality of the optional pilot school rate tariffs. KU and the AG filed their respective briefs on the pilot school tariff issue on June 2, 2017. KSBA and the AG contend that the school-related pilot tariffs do not violate KRS 278.035 because the proposed tariffs set forth a reasonable classification and would not be preferential, given the unique load characteristics and usage patterns of schools as compared to the other customers in their existing rate classes. The AG also pointed out that all public and private schools have similar load and usage characteristics making them a homogenous group, which made it reasonable to include in the pilot school tariff private schools that might wish to participate. The AG opined that "[a]s long as potential school participants to the pilot electric school tariffs are afforded equal opportunity to participate, the pilot electrical tariffs cannot be said to be 'preferential' within the meaning of KRS 278.035."<sup>28</sup> Similarly, KU contends that the pilot school tariffs do not provide a publicly funded entity an entitlement to service under

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<sup>27</sup> MHC, ACM, and Louisville Metro are parties only to the LG&E rate case, Case No. 2016-00371.

<sup>28</sup> AG's Post-Hearing Brief Regarding School Board Pilot Tariff at 7-8.

that rate, and that the pilot tariffs are a reasonable means of gathering data to determine whether such tariffs should be made generally available service offerings. KSBA, KU, and the AG all indicated that they did not object to modifying the First Stipulation to allow schools not covered by KRS 160.325, i.e., non-public schools, to participate in the pilot tariffs.

### FIRST STIPULATION

The First Stipulation reflects the agreement of all of the parties to the two cases, with the exception of KCTA and AT&T, addressing all of the issues not related to pole attachments. A summary of the provisions contained in the First Stipulation is as follows:

- KU agrees to withdraw the CPCN request to implement the AMS project and will initiate an AMS collaborative involving the Companies and all interested parties to these proceedings to discuss any concerns about AMS.<sup>29</sup>
  - KU will be issued a CPCN to implement the DA project.
  - KU revenue will increase by \$54.9 million.
  - The stipulated level of revenue associated with the electric operations were adjusted by: 1) removal of AMS cost recovery; 2) reduction of Return on Equity ("ROE") to 9.75 percent; 3) revised depreciation rates; 4) revenues from refined coal agreements at Ghent; 5) updated five-year average for uncollectible debt expense; 6) use of an eight-year average of generator outage expenses, based upon four-years' historical expenses and four-years' forecasted expenses; and 7) adjustment to construction work in progress capital slippage.
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- The agreed-to revenue allocation is set forth in Exhibit 4 of the First Stipulation.

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<sup>29</sup> Because KU has agreed to withdraw its CPCN request to implement the AMS project, the company is also withdrawing its request to establish a regulatory asset for those electric meters that would have been retired as a result of the AMS project and the requests to deviate from certain regulations governing meter inspections and testing. See May 9, 2017 Hearing at 2:22:09.

- The Basic Service Charge will increase to \$11.50 effective July 1, 2017, and to \$12.25 effective July 1, 2018, for KU and LG&E Electric Rates RS, VFD, RTOD-Energy and RTOD-Demand.
- Current CSR customers may choose between Option A and Option B.
  - Option A reflects the Companies' as-filed proposition.
  - Option B reflects the following modifications to the existing CSR tariff:
    - credits for both Companies of \$6.00 per kVA-month (primary) and \$5.90 per kVA-month (transmission);
    - KU may request physical curtailment when more than ten of the utility's primary combustion turbines ("CTs") are being dispatched, irrespective of whether the utility is making off-system sales. A CSR customer may avoid a physical curtailment by buying through at the Automatic Buy-Through Price.
- KU and LG&E agree to add a voluntary sports-field-lighting rate schedule, Pilot OSL – Outdoor Sports Lighting Service, on a pilot basis limited to 20 participants per company and will utilize a time-of-day rate structure.
- KU and LG&E agree not to split their residential and general service electric energy charges into Infrastructure and Variable components as proposed.
- KU and LG&E agree to file a study in their next rate cases regarding the impacts of 100 percent base demand ratchets for Rate TODS.
- For customers with their own generation, for 60 minutes following a utility-system fault, KU and LG&E agree to not use any demand data for a Rate TODP customer to set billing demand.
- KU and LG&E agree to add an optional pilot tariff for schools subject to KRS 160.325. The Companies' pilot rate provisions will be available to new participants until the total projected revenue reduction is \$750,000 annually for each company, compared to the projected annual revenues for the participating schools under the rates under which the schools would otherwise be served.
- KU and LG&E agree to file an application no later than December 31, 2017, proposing a two-year extension of the School Energy Managers Program (from July 1, 2018, through June 30, 2020) with a proposed total annual level of funding of \$725,000.

- KU and LG&E agree to fund a study concerning economical deployment of electric bus infrastructure in the Lexington area, as well as cost-based rate structures related to charging stations and other infrastructure needed for electric buses.
- KU and LG&E agree to establish an LED Lighting Collaborative involving Louisville Metro, LFUCG, and any other interested parties to these proceedings.
- KU agrees to increase its monthly residential Home Energy Assistance (“HEA”) charge from \$0.25 per month to \$0.30 per month, which will remain effective through June 30, 2021.
- KU and LG&E agree to commit to contribute a total of \$1.45 million of shareholder funds per year, which will remain in effect through June 30, 2021. These shareholder funds will be applied as follows:
  - From KU, \$100,000 for Wintercare and \$470,000 for HEA. CAC administers both programs. KU agrees that up to 10 percent of its total contributions to CAC may be used for reasonable administrative expenses.
  - From LG&E, \$700,000 to ACM for utility assistance and \$180,000 for HEA. LG&E agrees that up to 10 percent of its total contributions to ACM may be used for reasonable administrative expenses.

The First Stipulation results in the monthly bill of an average KU residential customer increasing by \$4.20, or 3.49 percent. A summary of the impact of the First Stipulation on KU’s revenue requirement is as follows.

- **Electric Operations.** The parties agreed in the First Stipulation to reduce KU’s requested revenue increase from \$103.1 million to \$54.9 million. The adjustments to KU’s requested revenue requirement are discussed further below.
  - A. **Advanced Metering System.** As previously discussed, KU requested that the Commission grant a CPCN to install AMS in its service territory. As part of the First Stipulation, the Companies agreed to withdraw their requests for the CPCN and to establish a collaborative to discuss the parties’ concerns and seek to address them. In the test year, the

cumulative effect of the withdrawal of the CPCN on the revenue requirement of KU is a reduction of \$6.3 million.

- B. Return on Equity. The agreement to reduce the ROE to 9.75 percent results in a decrease to KU's revenue requirement of \$15.3 million.
- C. Depreciation. KU proposed to revise its depreciation rates based upon depreciation studies that were performed by John Spanos of the firm Gannett Fleming Valuation and Rate Consultants, LLC. The parties to the First Stipulation agreed to revise KU's proposed depreciation rates resulting in a revenue-requirement reduction of \$14.7 million. The revised depreciation rates will also reduce KU's environmental cost recovery revenue requirement by \$19.1 million. The impact will be included in the environmental cost recovery filing made for the July 2017 expense month.
- D. KU Refined Coal Revenues. The First Stipulation reflects a \$9.1 million reduction in KU's revenue requirement related to KU's contract proceeds from the Refined Coal project at the Ghent Generating Station.
- E. Uncollectibles Expense. KU proposed to use uncollectible factors based on using a five-year average of write-offs to revenues for the period 2011 through 2015. The First Stipulation uses an updated five-year period, 2012 through 2016, to reduce KU's revenue requirement by \$0.5 million.
- F. Normalize Generation Outage. KU proposed \$90.201 million in generation outage expense for the test year, which exceeded its five-year average of \$77.384 million. In the First Stipulation, the parties agreed to use an eight-year average expense, four years of historical expenses, and four years of forecasted expenses. This approach reduces KU's revenue requirement by \$1.6 million.
- G. Construction Work in Progress Capital Slippage. The First Stipulation reflects a slippage factor to eliminate over estimation in construction budgeting. The slippage factor reduces KU's requested revenue requirement by \$0.7 million.

- **Stipulation Summary.** The table below reflects the impact each Stipulation adjustment has on KU.

	<u>KU</u>
Proposed Revenue Requirement	\$ 103.1 million
Remove AMS	(6.3) million
9.75% Return on Equity	(15.3) million
Revised Depreciation Rates	(14.7) million
KU Refined Coal Revenues	(9.1) million
Uncollectible Expense	(0.5) million
Generator Outage Expenses	(1.6) million
CWIP Capital Slippage	<u>(0.7) million</u>
Stipulated Revenue Requirements	<u>\$ 54.9 million</u>

### SECOND STIPULATION

The Second Stipulation reflects the agreement of KU, AT&T, and KCTA as to the terms and conditions of KU's pole and structure attachment charges contained in Tariff PSA. The major substantive areas addressed in the Second Stipulation are as follows:

- Agreement on KU's attachment charges for pole-top wireless facilities;<sup>30</sup>
- Agreement on KU's attachment charges for mid-pole wireless facilities;<sup>31</sup>
- Amendment of the terms and conditions set forth in KU's proposed Tariff PSA rate schedule.<sup>32</sup>

### ANALYSIS AND FINDINGS

The Commission's statutory obligation when reviewing a rate application is to determine whether the proposed rates are "fair, just, and reasonable."<sup>33</sup> While numerous intervenors with significant experience in rate proceedings and collectively

<sup>30</sup> Second Stipulation, paragraph 1.2.

<sup>31</sup> *Id.* at paragraph 1.3.

<sup>32</sup> *Id.* at paragraph 1.4.

<sup>33</sup> KRS 278.030(1).

representing a diverse range of customer interests have participated in this case, the Commission cannot defer to the parties as to what constitutes fair, just, and reasonable rates. The Commission must review the record, including the two stipulations, and apply its expertise to make an independent decision as to the level of rates, including terms and conditions of service, that should be approved.

To satisfy its statutory obligation in this case, the Commission has performed its traditional ratemaking analysis, which consists of reviewing the reasonableness of each revenue and expense adjustment proposed or justified by the record, along with a determination of a fair ROE.

#### FIRST STIPULATION

Based upon its review of the First Stipulation, the attachments thereto, and the case record including intervenor testimony, the Commission finds that, with the modifications discussed below, the First Stipulation is reasonable and in the public interest. With those modifications, the Commission finds that the First Stipulation was the product of arm's-length negotiations among knowledgeable, capable parties and should be approved. Such approval is based solely on the reasonableness of the modified First Stipulation and does not constitute a precedent on any individual issue.

#### Employee Retirement Plans

KU maintains a Defined Dollar Benefit Retirement Plan for those employees hired prior to January 1, 2006 ("Pre 2006 DDB Plan").<sup>34</sup> This plan was closed to new participants and was replaced with a Retirement Income Account ("401(k) Plan") for

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<sup>34</sup> See KU's response to Commission Staff's Fourth Request for Information ("Staff's Fourth Request"), Item 6.

those employees hired after January 1, 2006.<sup>35</sup> All employees that were hired prior to January 1, 2006, are eligible to participate in both the Pre 2006 DDB Plan and the 401(k) Plan.<sup>36</sup> KU contributes 100 percent of the Pre 2006 DDB Plan costs.<sup>37</sup> KU also contributes to the 401(k) Plan between 3 percent to 7 percent<sup>38</sup> of eligible employee compensation and \$0.70 per dollar match for employee contributions up to 6 percent of the employee's eligible contribution.<sup>39</sup>

The Commission finds that, for ratemaking purposes, it is not reasonable to include both KU's Pre 2006 DDB plan contributions and KU's matching contributions to the 401(k) Plan for the following employee categories: exempt, manager, non-exempt, and officer and director personnel. The Commission chooses not to address similar 401(k) Plan company matching contributions for hourly and bargaining unit employees in this proceeding, as it is not within the Commission's authority to negotiate or modify bargaining agreements. The Commission will not make a distinction between represented and non-represented hourly groups at this time, but will instead provide an opportunity for KU to address these excessive costs for both employee classes prior to its next base rate case, as rate recovery of these contributions will be evaluated for appropriateness as part of its next base rate case. Employees participating in the Pre

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<sup>35</sup> Refer to KU's response to Commission Staff's First Post-Hearing Request for Information dated May 12, 2017, Item 11. Although throughout this proceeding, KU made references to two separate post-2016 retirement plans, the Retirement Income Account and the 401(k) Savings Plan, they are actually the same plan.

<sup>36</sup> *Id.*

<sup>37</sup> Response to Staff's Fourth Request, Item 6.

<sup>38</sup> The percentage contribution rate depends on the employee's years of service as of January 1 of that year.

<sup>39</sup> Response to Staff's Fourth Request, Item 6.

2006 DDB Plan enjoy generous retirement plan benefits, making the matching 401(k) Plan amounts excessive for ratemaking purposes. Accordingly, the Commission denies for recovery 401(k) Plan matching contributions in the amount of \$1,720,383 before gross-up.

### Return on Equity

In its application, KU developed its ROE using the discounted cash flow method ("DCF"), the capital asset pricing model ("CAPM"), the empirical capital asset pricing model ("ECAPM"), the utility risk premium ("RP"), and the expected earnings approach.<sup>40</sup> Based on the results of the methods employed in its analysis, KU recommended an ROE range for its electric operations of 9.63 percent to 10.83 percent, including flotation cost.<sup>41</sup> KU recommended awarding the midpoint of this range, 10.23 percent, to maintain financial integrity, support additional capital investment and recognize flotation costs.<sup>42</sup> Direct testimony regarding ROE was provided by the AG and KIUC, and was subject to discovery by the Commission Staff and all parties.<sup>43</sup> Per paragraphs 2.2(B) and 3.2(B) of the First Stipulation, KU and the intervenors agreed that a ROE of 9.75 percent is reasonable for KU's electric operations.<sup>44</sup> The following table presents the recommended ROEs from KU and the intervenors and the methods used to support each parties' findings:

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<sup>40</sup> Direct Testimony of Adrien M. McKenzie, CFA ("McKenzie Direct Testimony"), at 2.

<sup>41</sup> *Id.*, Exhibit No. 2, page 1 of 1.

<sup>42</sup> *Id.*, at 5-6.

<sup>43</sup> Walmart did not provide an ROE analysis, but pointed out that KU's proposed ROE was higher than natural trends, and that average ROE awards of vertically integrated utilities in 2015 and 2016 was 9.76 percent.

<sup>44</sup> First Stipulation, at 5 and 9.

<u>Party</u>	<u>Recommendation</u>	<u>Methods</u>
KU	10.23%	DCF, CAPM, ECAPM, RP
AG <sup>45</sup>	8.75%	DCF, CAPM
KIUC <sup>46</sup>	9.0%	DCF, CAPM
<b>FIRST STIPULATION</b>	<b>9.75%</b>	

In the First Stipulation, all parties agreed that the revenue requirement increases for KU's electric operations will reflect a 9.75 percent ROE as applied to KU's capitalization and capital structure of the proposed electric revenue requirement increases as modified through discovery. As a result, use of a 9.75 percent ROE reduced KU's proposed electric revenue requirement by \$15.3 million.<sup>47</sup> For the reasons discussed below, the Commission finds a ROE of 9.75 percent to be unreasonable and higher than required by investors in today's economic climate, and that this provision of the First Stipulation should be modified.

While the Commission does not rely on individual returns awarded in other states in determining the appropriate ROE for Kentucky jurisdictional utilities, the Commission does find it reasonable to expect that other state commissions, each with its own attributes, evaluate expert witness testimony which uses the same or similar cost-of-equity models as those presented by the parties participating in this rate proceeding, and reach conclusions based on the data provided in the records of individual cases. The Regulatory Research Associates ("RRA") reports introduced into the record of this

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<sup>45</sup> Direct Testimony of Dr. J. Randall Woolridge at 67.

<sup>46</sup> Direct Testimony of Richard Baudino at 28.

<sup>47</sup> First Stipulation at 5.

proceeding<sup>48</sup> summarize the conclusions reached by state utility regulatory commissions, including this Commission, with regard to reasonable ROEs and contain explanatory reference points as to individual circumstances, all of which are available to investors. To the extent that investors' expectations are influenced by such publications, and we believe they are, we also find it appropriate to use that information to put their expectations in context. In fact, in KU's rebuttal testimony, KU agreed that allowed ROEs by other state commissions provide a general gauge of reasonableness for the outcome of a cost-of-equity analysis.<sup>49</sup>

The Commission takes notes of the fact that average annual ROE awards by state public service commissions for the last two years have ranged from 9.23 percent to 10.55 percent.<sup>50</sup> Furthermore, the average authorized ROEs reported by RRA for the fourth quarter of 2016 was 9.6 percent.<sup>51</sup> Authorized ROE data reported to investors by The Value Line Investment Survey for the specific firms in KU's proxy group indicates that state-allowed ROEs for those utilities were in a range of reasonableness of 9.00 to 12.50 percent.<sup>52</sup>

In 2017, the economic environment has shown signs of relative improvement. In response to increased economic growth and low unemployment, the Federal Reserve increased interest rates in March and June 2017, and current outlooks, including comments from government agencies, show that investors anticipate additional interest

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<sup>48</sup> See Rebuttal Testimony of Adrien M. McKenzie, CFA, at 11.

<sup>49</sup> *Id.* at 10.

<sup>50</sup> *Id.*, Exhibit 12.

<sup>51</sup> *Id.* at 13.

<sup>52</sup> *Id.*, Exhibit 13.

rate increases.<sup>53</sup> KU's own model produces an ROE, less flotation costs and adjustments, to be in the range of 9.5 percent to 10.7 percent.<sup>54</sup> Even with the current uptick in economic conditions, the economy remains in an era of historically low interest rates and slow economic growth. Therefore, irrespective of the agreement by the parties that a 9.75 percent ROE is appropriate for KU, the Commission finds that a slightly lower ROE is a better reflection of current economic conditions and investor expectations. Based on the entire record developed in this proceeding, we find that KU's required ROE falls within a range of 9.20 percent to 10.20 percent with a midpoint of 9.70 percent. An ROE of 9.70 should be used for the purpose of base rate revenues and certain tariffs, as discussed later in this Order.

This revision to the First Stipulation reduces KU's net operating income before income taxes by \$969,324.

#### Revenue Requirement

As discussed above, the Commission finds the First Stipulation to be reasonable only by eliminating KU's 401(k) Plan contributions for the following employee categories: exempt, manager, non-exempt and officer and director personnel, and by reducing the ROE from 9.75 percent to 9.70 percent. These modifications decrease the stipulated revenue requirement from \$54,900,000 to \$50,484,652 a decrease of \$4,415,348, as calculated in the table below.

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<sup>53</sup> *Id.* at 8.

<sup>54</sup> McKenzie Direct Testimony, Exhibit No. 2.

	KU
KU's 401(k) Plan	\$ (1,720,383)
ROE from 9.75% to 9.7%	<u>(969,324)</u>
Impact to Net Operating Income Before Taxes	(2,689,707)
Multiplied by: Gross up Factor	<u>1.641572</u>
Revenue Requirement Impact	(4,415,348)
Increase per Stipulation	<u>54,900,000</u>
Net Increase Granted by the Commission	<u>\$ 50,484,652</u>

Residential Basic Service Charge

The Commission believes an increase to the Residential Basic Service Charge is warranted, and we find the level of the Year 2 charge to be reasonable. We further find that the two-step increase to \$11.50 in Year 1 and to \$12.25 in Year 2 is unnecessary. The total increase in the Residential Basic Service Charge of \$1.50 is a modest increase from the current level, and the Commission sees no reason to complicate the issue by using a two-step method, which could generate confusion among KU's residential customers. The First Stipulation is therefore modified with respect to the Residential Basic Service Charge, and the Year 2 charge of \$12.25 should be approved for service rendered on and after July 1, 2017.

Optional Pilot Rates for Schools Subject to KRS 160.325

At the formal hearing in this matter, the parties were requested to file post-hearing briefs concerning the legality of the proposed school-related pilot rate tariffs, Rates SPS and STOD, with respect to the applicability of KRS 278.035, and to indicate whether they would object to the modification of the First Stipulation to include schools not covered by KRS 160.325. Briefs submitted by KSBA, KU, and the AG

acknowledged that the inclusion of non-public schools in the pilot tariffs would avoid a possible violation of KRS 278.035. All parties to this proceeding submitted statements indicating that they had no objection to modification of the First Stipulation to include non-public schools in the pilots.

The Commission finds that the First Stipulation should be modified to include schools not covered by KRS 160.325. The inclusion of non-public schools would rectify any potential conflict with KRS 278.035 and would remove any element of preferential treatment of public schools that could be associated with the pilot tariffs. As previously stated, the pilot rate provisions will be available to new participants until the total projected revenue reduction is \$750,000 annually for KU, compared to the projected annual revenues for the participating schools under the rates under which the schools would otherwise be served. The Commission notes that the parties to this proceeding agreed that the other ratepayers would assume the revenue shortfall resulting from the lower rates set forth in the pilot school tariffs. Therefore, the Commission will place a limit on the amount of time the pilot tariffs will be in effect and finds that the pilot tariffs should be effective for three years, or until KU files its next rate case, whichever is earlier. In the event that new base rates are not in effect by July 1, 2020, schools participating in the pilot tariffs should be returned to the tariffs under which they were formerly served. In addition, the Commission finds that KU should create a regulatory liability to record the difference between what the schools served under the pilot tariffs would have been billed under the pilot tariffs subsequent to July 1, 2020, and the amounts they are billed under the tariffs to which they are returned. The regulatory liability will be addressed in KU's next base rate proceeding. We further find that, within

30 days of the date of this Order, KSBA should file with the Commission the process by which KSBA will notify and select those schools, both public and non-public, that would be eligible to participate in the pilot tariffs.

With regard to the data gathered from the schools participating in the pilot tariffs, the Commission finds that KU should file reports with the Commission, beginning six months from the date of this Order and every six months thereafter, which set out details concerning monthly load information, individually and in the aggregate, and indicating preliminary findings as conclusions regarding the schools' load characteristics are reached. In the event that a future proposal is made either to extend the pilot school tariffs or to make them permanent, this load information will be used to determine whether the schools' load characteristics justify a special rate classification.

#### Collaborative Study Regarding Electric Buses

Although this provision will be funded by shareholder contributions and the Commission does not oppose it, this type of provision pertaining to an unrelated business transaction should be negotiated separately between the individual parties and has no bearing on KU's rates as found reasonable herein based on the record of this case. It is therefore superfluous to this regulatory proceeding, contributes nothing to the reasonableness of the First Stipulation, and should be omitted from future ratemaking proceedings.

#### LED Lighting and Electric Bus Study Collaboratives

Pursuant to the provisions of the First Stipulation, KU commits to engage in good faith with Louisville Metro, LFUCG, and any other interested parties to this proceeding and the LG&E rate proceeding in a collaborative to discuss issues related to LED

lighting and electric bus infrastructure and rates. While the provisions limit participation to only those parties to the instant rate proceeding and the LG&E rate proceeding, the Commission finds that the collaboratives should also include the Kentucky Department of Energy Development and Independence, whose mission includes creating efficient, sustainable energy solutions and strategies.

### SECOND STIPULATION

As mentioned previously, KU proposed certain changes to its pole attachment tariff in its application. KU currently offers the use of spaces on its poles for cable television attachments under Tariff CTAC, Cable Television Attachment Charges ("Tariff CTAC"). KU proposed to rename Tariff CTAC to Tariff PSA, Pole and Structure Attachment Charges ("Tariff PSA"), and to expand the tariff to include telecommunications wireline and wireless facilities' attachments, which are not currently covered under Tariff CTAC. KU also proposed to modify the rates, terms, and conditions of service for attaching wireline and wireless facilities to its poles.

The Second Stipulation includes the modifications proposed in the application, but also includes additional changes in the rates for pole space use and conditions of service for the placement of an attachment on KU's poles. As originally proposed, the Tariff PSA's rate schedule contained three charges: 1) an annual charge of \$7.25 for each wireline pole attachment; 2) an annual charge of \$0.81 for each linear foot of duct; and 3) an annual charge of \$84.00 for each wireless facility attachment. AT&T and KCTA did not object to the charge for wireline and duct attachments, but did object to the annual charge for wireless facility attachments. KU estimated that wireless facilities occupy an average of 11.5 feet on its poles, and calculated the \$84.00 wireless facility

attachment charge based on the use of 11.5 feet of pole space at \$7.25<sup>55</sup> per foot of pole. AT&T and KCTA did not challenge the \$7.25 per foot factor in the calculation, but argued that wireless facility attachments occupy far less pole space. The Second Stipulation provides for a charge of \$36.25, based upon a wireless facility attached to the top of a pole using five feet of the pole—one foot for the antenna and four feet of clearance above the power space to maintain a safe working distance between the electric facilities on the pole and the pole top antenna. The Second Stipulation also provides for rates for wireless facilities located mid-pole to be established on a case-by-case basis through special contracts. This provision is based upon the lack of requests for mid-pole wireless facilities, which resulted in a lack of evidence upon which to base a uniform rate for mid-pole wireless facilities.

Another modification is the requirement for a pole-loading study. As originally proposed, Tariff PSA required that a pole-loading study be submitted with each application as a safety and reliability measure. KCTA argued that requiring pole-loading studies for every application provides no appreciable safety or reliability benefit to KU, while unnecessarily increasing construction costs and preventing timely deployment of wireless facilities. The Second Stipulation provides that an attachment applicant may include a pole-load study with the application or, in the alternative, assert that a pole's condition does not warrant the need for a pole-loading study. To confirm the assertion, KU may perform a visual inspection of the pole to which the facility is proposed to be attached. If KU determines that a pole-loading study is needed, the attachment applicant has the option of conducting the pole-loading study itself or requesting that KU

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<sup>55</sup> The Commission approved the rate of \$7.25 per foot in Case No. 2014-00371, *Application of Kentucky Utilities Company for an Adjustment of Its Electric and Rates* (Ky. PSC June 30, 2015).

perform the study. The attachment applicant is responsible for the costs of any visual inspection or pole-loading study that KU performs. KU contends that the proposed revision to Tariff PSA does not sacrifice safety or system reliability.

The Commission finds that the proposed Tariff PSA with the modifications agreed to in the Second Stipulation is reasonable and that the Second Stipulation should be approved in its entirety.

## OTHER ISSUES

### Rate Adjustment

In setting the rates shown in Appendix B, the Commission maintained the basic service charges for each class that were included in the First Stipulation, with the exception that the Year 1 Residential Basic Service Charge was not approved as previously discussed, and is therefore not included. The reduction in KU's stipulated revenue increase as found reasonable herein was allocated to the energy charges of those customer classes for which revenue increases were proposed in the First Stipulation. The reduction to each class's proposed revenue increase was approximately in proportion to the increase set forth in the First Stipulation.

### Electric Vehicle Supply Equipment Calculation

In response to a Post-Hearing Request for Information, KU provided a revised sheet showing the impact on the Electric Vehicle Supply Equipment ("EVSE"), Electric Vehicle Charging Service ("EVC"), and Electric Vehicle Supply Equipment ("EVSE-R") rates of using the 9.75 percent ROE in the capital structure. In light of the 9.70 percent ROE found reasonable herein, the Commission finds that the EVSE rates should be further revised to reflect the approved ROE. The Commission also finds that since the

EVSE, EVC, and EVSE-R rates are based, in part, on the General Service ("GS") energy rate, the rates should be updated for the change in the GS energy rate approved with this Order. The EVSE, EVC, and EVSE-R rates set out in Appendix B to this Order reflect both revisions.

#### Solar Capacity Charge and Solar Energy Credits

In response to a Post-Hearing Request for Information, KU provided a revised sheet showing the impact on the Solar Capacity Charge and Solar Energy Credits of using the 9.75 percent ROE in the capital structure and under each of the corrected cost-of-service studies filed by KU in this proceeding. In light of the 9.70 percent ROE found reasonable herein, the Commission finds that the Solar Capacity Charge and Solar Energy Credits should be further revised to reflect the approved ROE. The Commission also finds that the Solar Energy Credits should be revised for Rate Schedules RS, VFD, RTOD-E, RTOD-D, AES, and GS using the average of the amounts provided in response to the post-hearing information request,<sup>56</sup> but revised for the change in ROE and using the energy rates approved herein for Rate Schedules PS, TODS, and TODP. The rates set out in Appendix B to this Order reflect the revisions.

#### Demand-Side Management ("DSM")

In response to a Commission Staff Information Request, KU stated that upon the implementation of new base rates, the DSM Revenue from Lost Sales component of its DSM cost-recovery mechanism would change to zero.<sup>57</sup> The Commission finds that

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<sup>56</sup> Response to Commission Staff's First Post-Hearing Request for Information dated May 12, 2017, Item 6, Attachment KU-6-1 and Attachment KU-6-2.

<sup>57</sup> KU's response to Commission Staff's Second Request for Information, Item 10.

KU's compliance tariff that it is directed to file in ordering paragraph 10 should reflect this revision to its DSM cost-recovery mechanism.

### Loss of Municipal Load

The Commission takes notice that nine municipal utilities will be terminating their wholesale power contracts with KU effective, at the latest, April 30, 2019.<sup>58</sup> The combined load of those nine departing wholesale customers is approximately 325 megawatts ("MW").<sup>59</sup> At the formal hearing, Victor Staffieri, KU's Chairman, Chief Executive Officer, and President, testified that KU had not secured new customers to purchase the generation that would be available when the nine municipal utilities terminate their contracts with KU, but that the company would take into account any growth in load as potential replacement for the loss of municipal load.<sup>60</sup> Mr. Staffieri also stated that it is not known what impact the loss of municipal load would have on KU's rates when the company files its next rate case.<sup>61</sup> David Sinclair, KU's Vice President, Energy Supply and Analysis, also testified at the formal hearing that, beginning in 2019 and 2020, KU would have a reserve margin of approximately 24 percent, which would be above the upper end of KU's target reserve margin range.<sup>62</sup>

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<sup>58</sup> See Case No. 2014-0002, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of a Combined Cycle Combustion Turbine at the Green River Generating Station and a Solar Photovoltaic Facility at the E.W. Brown Generating Station* (Ky. PSC Dec. 19, 2014), final Order at 2–3.

<sup>59</sup> The nine municipal wholesale customers are Barbourville, Bardwell, Berea, Corbin, Falmouth, Frankfort, Madisonville, Paris, and Providence.

<sup>60</sup> May 9, 2017 Hearing at 1:37:37.

<sup>61</sup> *Id.* at 1:38:40.

<sup>62</sup> May 10, 2017 Hearing at 9:37:30.

In light of the significant loss of load in connection with the nine municipal customers' leaving KU's system in April 2019, the Commission finds that KU should develop and implement a formal plan to address how KU will mitigate the loss of the approximately 325 MW municipal load, including, but not limited to, how KU will market the excess capacity and energy resulting from the municipals departing the system, the types of measures KU will implement to attract new or expanding load, and whether joining a regional transmission organization would be beneficial in its efforts to market the excess capacity and energy.

#### Transmission System Improvement Plan

KU is currently implementing a Transmission System Improvement Plan ("Transmission Plan") aimed at reducing outage occurrence and duration and improving overall reliability of service to its customers.<sup>63</sup> KU states that the Transmission Plan contains two primary categories of investment: system integrity and reliability.<sup>64</sup> System integrity involves replacement of aging transmission assets to enhance reliability.<sup>65</sup> The reliability component involves several maintenance programs and capital investment in line sectionalization.<sup>66</sup> KU will spend approximately \$149 million between the end of the last base-rate-case test period and the end of the forecasted test period (July 1, 2016 – June 30, 2018) on its Transmission Plan.<sup>67</sup> This spending is part of a total of \$511

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<sup>63</sup> Direct Testimony of Paul W. Thompson ("Thompson Testimony") at 25.

<sup>64</sup> *Id.* at 26.

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* at 27.

million in transmission capital investments that KU and LG&E project to spend over the five-year period beginning 2017.<sup>68</sup>

In light of the significant investments that KU intends to make pursuant to the Transmission Plan, the Commission will require KU to file annual reports, over the five-year Transmission Plan period, detailing the progress on the spend out for the reporting period, the criteria utilized by KU to prioritize the various transmission projects, the impact on reliability or other benefits to KU's customers resulting from such investments, and outlining the expenditures for the following year.

#### KU's Tariffs

Commission regulation 807 KAR 5:011, Section 4(1), requires each utility to include an accurate index of the city, town, village, or district in which its rates are applicable. The first page of KU's tariffs references its service as being available "[i]n seventy-seven counties in the Commonwealth of Kentucky as depicted on territorial maps as filed with the Public Service Commission of Kentucky." Because those maps are not readily available to members of the public, KU should revise its tariffs to include a list of the communities in which it serves.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by KU are denied.
2. KU's motions for leave to file the First and Second Stipulations are granted.
3. The First and Second Stipulations, attached hereto as Appendix A, (without exhibits) are approved with the modifications discussed herein.

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<sup>68</sup> *Id.* at 26–27.

4. The rates and charges in Appendix B, attached hereto, are fair, just, and reasonable for KU to charge for service rendered on and after July 1, 2017.

5. KU is granted a CPCN to implement the DA project as described in the application.

6. Within 30 days of the date of this Order, KSBA shall file with the Commission the process by which it will notify and select those schools that are eligible to participate in the pilot tariffs approved herein.

7. KU shall file reports with the Commission as directed herein which set out details concerning the pilot school tariffs study.

8. Within 90 days of the date of this Order, KU shall file a formal plan addressing how KU will mitigate the loss of the approximately 325 MW municipal load as discussed herein.

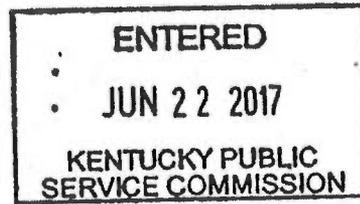
9. Beginning June 1, 2018, and continuing over the five-year Transmission Plan period, KU shall file an annual Transmission Plan report as discussed herein.

10. Within 20 days of the date of this Order, KU shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariffs, including an index of communities served, as set forth in this Order reflecting that they were approved pursuant to this Order.

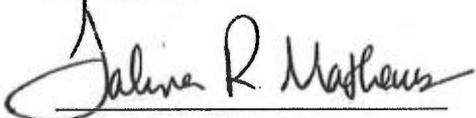
11. Any document filed pursuant to ordering paragraphs 6, 7, 8, and 9 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

12. The Executive Director is delegated authority to grant reasonable extension of time for the filing of any documents required by ordering paragraphs 6, 7, 8, and 9 of this Order upon KU's showing of good cause for such extension.

By the Commission



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2016-00370 DATED **JUN 22 2017**

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## STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation (“Stipulation”) is entered into this 19th day of April 2017 by and between Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, “the Utilities”); Association of Community Ministries, Inc. (“ACM”); Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“AG”); Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (“CAC”); United States Department of Defense and All Other Federal Executive Agencies (“DoD”); Kentucky Industrial Utility Customers, Inc. (“KIUC”); Kentucky League of Cities (“KLC”); The Kroger Company (“Kroger”); Kentucky School Boards Association (“KSBA”); Lexington-Fayette Urban County Government (“LFUCG”); Louisville/Jefferson County Metro Government (“Louisville Metro”); Metropolitan Housing Coalition (“MHC”); Sierra Club, Alice Howell, Carl Vogel and Amy Waters (collectively “Sierra Club”); JBS Swift & Co. (“Swift”); and Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively “Wal-Mart”). (Collectively, the Utilities, ACM, AG, CAC, DoD, KIUC, KLC, Kroger, KSBA, LFUCG, Louisville Metro, MHC, Sierra Club, Swift and Wal-Mart are the “Parties.”)

### WITNESSETH:

WHEREAS, on November 23, 2016, KU filed with the Kentucky Public Service Commission (“Commission”) its Application for Authority to Adjust Electric Rates and For Certificates of Public Convenience and Necessity, *In the Matter of: An Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and For Certificates of Public Convenience and Necessity*, and the Commission has established Case No. 2016-00370 to review KU’s base rate application, in which KU requested a revenue increase of \$103.1 million;

**WHEREAS**, on November 23, 2016, LG&E filed with the Commission its Application for Authority to Adjust Electric and Gas Rates and For Certificates of Public Convenience and Necessity, *In the Matter of: An Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and For Certificates of Public Convenience and Necessity*, and the Commission has established Case No. 2016-00371 to review LG&E's base rate application, in which LG&E requested a revenue increase for its electric operations of \$93.6 million and a revenue increase of \$13.8 million for its gas operations (Case Nos. 2016-00370 and 2016-00371 are hereafter collectively referenced as the "Rate Proceedings");

**WHEREAS**, on February 20, 2017, LG&E filed with the Commission in Case No. 2016-00371 a Supplemental Response to Commission Staff's First Request for Information No. 54 in which LG&E corrected its requested revenue increases for its electric operations to be \$94.1 million and for its gas operations to be \$13.4 million;

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00370 to the AG, BellSouth Telecommunications, LLC d/b/a AT&T Kentucky ("AT&T"), CAC, Kentucky Cable Telecommunications Association ("KCTA"), KIUC, KLC, Kroger, KSBA, LFUCG, Sierra Club, and Wal-Mart;

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00371 to ACM, AG, AT&T, DoD, KCTA, KIUC, Kroger, KSBA, Louisville Metro, MHC, Sierra Club, Swift and Wal-Mart;

**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement and the text of this Stipulation, attended by representatives of the Parties and the Commission Staff, took place on April 12, 13, and 17, 2017, at the offices of the Commission, which representatives of AT&T and KCTA also attended on April 12 and 13, and which representatives

of KCTA also attended on April 17, and during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Rate Proceedings;

**WHEREAS**, the Parties hereto unanimously desire to settle all the issues pending before the Commission in the Rate Proceedings, notwithstanding that neither AT&T nor KCTA has agreed with, or entered into, this Stipulation, and therefore neither AT&T nor KCTA is one of the Parties as defined herein;

**WHEREAS**, it is understood by all Parties hereto that this Stipulation is subject to the approval of the Commission, insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to the Utilities' rates, terms, or conditions;

**WHEREAS**, the Parties have spent many hours over several days to reach the stipulations and agreements which form the basis of this Stipulation;

**WHEREAS**, all of the Parties, who represent diverse interests and divergent viewpoints, agree that this Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues in the Rate Proceedings; and

**WHEREAS**, the Parties believe sufficient and adequate data and information in the record of these proceedings support this Stipulation, and further believe the Commission should approve it;

**NOW, THEREFORE**, for and in consideration of the promises and conditions set forth herein, the Parties hereby stipulate and agree as follows:

## **ARTICLE I. ADVANCED METERING SYSTEMS**

**1.1. Withdrawing Request for Certificates of Public Convenience and Necessity and Cost Recovery for Advanced Metering Systems.** The Utilities agree to withdraw their requests for the Commission to grant certificates of public convenience and necessity ("CPCNs") and to approve cost recovery in these base rate proceedings for the Utilities' proposed full deployment of Advanced Metering Systems ("AMS"). The Parties agree that the Utilities' withdrawal of their requests for CPCNs and cost recovery for AMS in these proceedings does not preclude the Utilities from having full AMS deployment considered in future proceedings.

**1.2. AMS Collaborative.** The Parties agree that the Utilities and all interested Parties will participate in an AMS Collaborative to discuss the Parties' concerns about AMS and to seek to address them. The AMS Collaborative will begin at a mutually agreeable time after these proceedings conclude and will include only those Parties to these proceedings interested in participating in the collaborative. The Parties agree to engage in the collaborative in good faith not to exceed 15 months from the date the Commission issues orders in these proceedings.

## **ARTICLE II. ELECTRIC REVENUE REQUIREMENTS**

**2.1. Utilities' Electric Revenue Requirements.** The Parties stipulate that the following increases in annual revenues for LG&E electric operations and for KU operations, for purposes of determining the rates of LG&E and KU in the Rate Proceedings, are fair, just and reasonable for the Parties and for all electric customers of LG&E and KU:

LG&E Electric Operations: \$59,400,000.

KU Operations: \$54,900,000.

The Parties agree that any increase in annual revenues for LG&E electric operations and for KU operations should be effective for service rendered on and after July 1, 2017.

**2.2. Items Reflected in Stipulated Electric Revenue Requirement Increases.** The Parties agree that the stipulated electric revenue requirement increases were calculated by beginning with the Utilities' electric revenue requirement increases as presented and supported by the Utilities in their applications in these proceedings and as revised through discovery (\$103.1 million for KU; \$94.1 million for LG&E electric) and adjusting them by the following items, which the Parties ask and recommend the Commission accept as reasonable without modification:

(A) **Removal of AMS Cost Recovery.** Because the Utilities are withdrawing their request for CPCNs and cost recovery for their proposed full deployment of AMS, recovery of AMS costs is being removed from the Utilities' electric revenue requirements. This reduces KU's proposed electric revenue requirement increase by \$6.3 million, consisting of \$3.2 million of operations and maintenance ("O&M") cost and \$3.1 million of carrying cost and depreciation expense. Similarly, this reduces LG&E's proposed electric revenue requirement increase by \$5.2 million, consisting of \$3.0 million of O&M cost and \$2.2 million of carrying cost and depreciation expense.

(B) **Return on Equity.** The Parties agree that a return on equity of 9.75% is reasonable for the Utilities' electric operations, and the agreed stipulated revenue requirement increases for the Utilities' electric operations reflect that return on equity as applied to the Utilities' capitalizations and capital structures underlying their originally proposed electric revenue requirement increases as modified through discovery. Use of a 9.75% return on equity reduces the Utilities' proposed electric revenue requirement increases by \$15.3 million for KU and \$10.1 million for LG&E.

(C) **Revised Depreciation Rates.** The stipulated revenue requirement increases reflect the revised depreciation rates shown in Stipulation Exhibits 1 (KU) and 2 (LG&E electric), which reduce the Utilities' proposed electric revenue requirement increases by \$14.7 million for KU and \$10.1 million for LG&E. In addition to contributing to reducing the Utilities' proposed electric revenue requirement increases in these proceedings, these revised depreciation rates will reduce environmental cost recovery ("ECR") revenue requirements by \$19.1 million for KU and \$16.8 million for LG&E relative to the Utilities' proposed depreciation rates as will be included in the ECR mechanism filings beginning with the July 2017 expense month.

(D) **KU Revenues Resulting from the Refined Coal Project at the Ghent Generating Station.** The stipulated revenue requirement increase for KU reflects a \$9.1 million revenue-requirement reduction related to KU's contract proceeds resulting from KU's Refined Coal project at the Ghent Generating Station. KU discussed this issue at an Informal Conference held at the Commission on March 14, 2017, in the context of Case No. 2015-00264.

(E) **Updated Five-Year Average for Uncollectible Debt Expense.** The stipulated electric revenue requirement increases reflect the use of a five-year average (calendar years 2012-2016) for uncollectible debt expense, which is an update to the five-year average (2011-2015) that was available at the time the Utilities filed their applications in these proceedings. This approach reduces the Utilities' proposed electric revenue requirement increases by \$0.5 million for KU and \$0.3 million for LG&E.

(F) **Eight-Year Average for Generator Outage Expenses; Related Use of Regulatory Accounting.** The Parties agree to use an eight-year average of generator outage expenses in the Utilities' stipulated electric revenue requirement increases, where the average is

of four historical years' expenses (2013-2016) and four years' forecasted expenses (2017-2020). This approach reduces the Utilities' proposed electric revenue requirement increases by \$1.6 million for KU and \$8.5 million for LG&E. Relatedly, the Parties agree to, and ask the Commission to approve, the Utilities' use of regulatory asset and liability accounting related to generator outage expenses that are greater or less than the eight-year average of the Utilities' generator outage expenses. This regulatory accounting will ensure the Utilities may collect, or will have to return to customers, through future base rates any amounts that are above or below the eight-year average embedded in the stipulated electric revenue requirement increases in these proceedings.

(G) **Adjustment Related to Construction Work in Progress Capital.** The Parties agree to adjust the Utilities' proposed electric revenue requirement increases to reflect differences ("slippage") between past projected and historical capital amounts for construction work in progress ("CWIP"). This adjustment reduces the Utilities' proposed electric revenue requirement increases by \$0.7 million for KU and \$0.4 million for LG&E.

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**2.3. Summary Calculation of Electric Revenue Requirement Increases.** The table below shows the calculation of the stipulated electric revenue requirement increases:

Item	KU	LG&E
Proposed electric revenue requirement increases	\$103.1 million	\$94.1 million
Remove AMS	(\$6.3 million)	(\$5.2 million)
9.75% return on equity	(\$15.3 million)	(\$10.1 million)
Revised depreciation rates	(\$14.7 million)	(\$10.1 million)
KU Refined Coal revenues	(\$9.1 million)	n/a
5-year average uncollectible expense	(\$0.5 million)	(\$0.3 million)
8-year average generator outage expense	(\$1.6 million)	(\$8.5 million)
CWIP capital slippage	(\$0.7 million)	(\$0.4 million)
Stipulated electric revenue requirement increases	\$54.9 million	\$59.4 million <sup>1</sup>

### **ARTICLE III. GAS REVENUE REQUIREMENT**

**3.1. LG&E Gas Revenue Requirement.** The Parties stipulate and agree that, effective for service rendered on and after July 1, 2017, an increase in annual revenues for LG&E gas operations of \$7,500,000, for purposes of determining the rates of LG&E gas operations in the Rate Proceedings, is fair, just and reasonable for the Parties and for all gas customers of LG&E.

<sup>1</sup> Stipulated LG&E electric revenue requirement increase differs from proposed revenue requirement increase less adjustments shown due to rounding.

**3.2. Items Reflected in Stipulated Gas Revenue Requirement Increase.** The Parties agree that the stipulated gas revenue requirement was calculated by beginning with LG&E's gas revenue requirement increase as presented and supported by LG&E in its application in Case No. 2016-00371 and as revised through discovery (\$13.4 million) and adjusting the proposed gas revenue requirement increase by the following items, which the Parties ask and recommend the Commission accept as reasonable without modification:

(A) **Removal of AMS Cost Recovery.** Because the Utilities are withdrawing their request for CPCNs and cost recovery for their proposed full deployment of AMS, recovery of AMS costs is being removed from LG&E's gas revenue requirement. This reduces LG&E's proposed gas revenue requirement increase by \$0.7 million, consisting solely of carrying cost and depreciation expense.

(B) **Return on Equity.** The Parties agree that a return on equity of 9.75% is reasonable for LG&E's gas operations, and the agreed stipulated revenue requirement increase for LG&E's gas operations reflect that return on equity as applied to LG&E's gas capitalization and capital structure underlying its originally proposed gas revenue requirement increase as modified through discovery. Use of a 9.75% return on equity reduces LG&E's proposed gas revenue requirement increase by \$2.9 million.

(C) **Depreciation Rates.** The stipulated gas revenue requirement increase reflects the depreciation rates shown in Stipulation Exhibit 3, which reduce LG&E's proposed gas revenue requirement increase by \$2.1 million.

(D) **Updated Five-Year Average for Uncollectible Debt Expense.** The stipulated gas revenue requirements increase reflects the use of a five-year average (calendar years 2012-2016) for uncollectible debt expense, which is an update to the five-year average

(2011-2015) that was available at the time LG&E filed its application in Case No. 2016-00371.

This approach reduces LG&E's proposed gas revenue requirement increase by \$0.1 million.

**3.3. Summary Calculation of Gas Revenue Requirement Increase.** The table below shows the calculation of the stipulated gas revenue requirement increase:

Item	LG&E Gas
Proposed gas revenue requirement increase	\$13.4 million
Remove AMS	(\$0.7 million)
9.75% return on equity	(\$2.9 million)
Revised depreciation rates	(\$2.1 million)
5-year average uncollectible expense	(\$0.1 million)
Stipulated gas revenue requirement increase	\$7.5 million <sup>2</sup>

#### **ARTICLE IV. REVENUE ALLOCATION AND RATE DESIGN**

**4.1. Revenue Allocation.** The Parties hereto agree that the allocations of the increases in annual revenues for KU and LG&E electric operations, and that the allocation of the increase in annual revenue for LG&E gas operations, as set forth on the allocation schedules designated Stipulation Exhibit 4 (KU), Stipulation Exhibit 5 (LG&E electric), and Stipulation Exhibit 6 (LG&E gas) attached hereto, are fair, just, and reasonable for the Parties and for all customers of LG&E and KU.

**4.2. Tariff Sheets.** The Parties hereto agree that, effective July 1, 2017, the Utilities shall implement the electric and gas rates set forth on the tariff sheets in Stipulation Exhibit 7

<sup>2</sup> Stipulated gas revenue requirement increase differs from proposed revenue requirement increase less adjustments shown due to rounding.

(KU), Stipulation Exhibit 8 (LG&E electric), and Stipulation Exhibit 9 (LG&E gas) attached hereto, which rates the Parties unanimously stipulate are fair, just, and reasonable, and should be approved by the Commission.

**4.3. Basic Service Charges.** The Parties agree that the following monthly basic service charge amounts shall be implemented on the schedule shown:

Rates	Effective July 1, 2017	Effective July 1, 2018
LG&E and KU Rates RS, VFD, RTOD-Energy, and RTOD-Demand	\$11.50	\$12.25
LG&E Rates RGS and VFD	\$16.35	\$16.35

All other basic service charges shall be the amounts reflected in the proposed tariff sheets attached hereto in Stipulation Exhibits 7 (KU), 8 (LG&E electric), and 9 (LG&E gas).

**4.4. Curtailable Service Riders.** Concerning the Utilities' Curtailable Service Riders ("CSR"), the Parties agree that CSR customers may choose between Options A and B as follows:

(A) Option A: The Utilities' proposed CSR credits and tariff provisions as filed in these proceedings.

(B) Option B: The Utilities' existing CSR tariff provisions with the modifications below:

(i) CSR credits for both Utilities of \$6.00 per kVA-month (primary) and \$5.90 per kVA-month (transmission).

(ii) A Utility may request physical curtailment when more than 10 of the Utilities' primary combustion turbines (CTs) (those with a capacity greater than 100 MW) are being dispatched, irrespective of whether the Utilities are making off-system sales. However, to avoid a physical curtailment a CSR customer may buy through a requested curtailment at the Automatic Buy-Through Price. If all available units have been dispatched or are being

dispatched, the Utilities may request a physical curtailment of the CSR customer without a buy-through option.

(iii) A Utility may request physical curtailment of a CSR customer no more than 20 times per calendar year totaling no more than 100 hours. Any buy-through of a physical curtailment request will not count toward the 100-hour limit or 20-curtailment-request limit, but will count toward the 275 hours of economic curtailments.

(iv) After receiving a physical curtailment request from the Utility where a buy-through option is available, a CSR customer will have 10 minutes to inform the Utility whether the customer elects to buy through or physically curtail. If the customer elects to physically curtail, the customer will have 30 minutes to carry out the required physical curtailment (i.e., a total of 40 minutes from the time the Utility requests curtailment to the time the customer must implement the curtailment). If a customer does not respond within 10 minutes of notice of a curtailment request from the Utility, the customer will be assumed to have elected to buy through the requested curtailment, subject to any prior written agreement with the customer.

(v) After receiving a physical curtailment request from the Utility when no buy-through option is available, a CSR customer will have 40 minutes to carry out the required physical curtailment.

(C) The Utilities will initially assign all existing CSR customers to Option B as described above. Following the initial assignment, a CSR customer may elect Option A at any time, which election will take effect beginning with the customer's first full billing cycle following the election. After a CSR makes its first election or any subsequent election, the

customer must take service under the chosen option for at least 24 full billing cycles before a new election can become effective.

(D) LG&E will permit any customer interested in participating in CSR to give notice of interest by July 1, 2017; after that date, only those customers already participating in LG&E's CSR may continue their participation at their then-current levels. Customers that have given notice of interest on or before July 1, 2017, may elect to begin participating in CSR no later than January 1, 2019. LG&E's existing capacity cap will continue to apply, and all available CSR capacity will be available for participation on a first come, first served basis to those giving notice of interest by July 1, 2017.

(E) KU's CSR will be closed to new or increased participation as of July 1, 2017.

These proposed tariff changes are shown in Stipulation Exhibits 7 (KU) and 8 (LG&E electric) attached hereto.

**4.5. Five-Year Limit to Gas Line Tracker Recovery for Transmission Modernization and Steel Service Line Replacement Programs.** The Parties agree that LG&E will recover costs related to its proposed Transmission Modernization and Steel Service Line Replacement Programs through its Gas Line Tracker ("GLT") cost-recovery mechanism for five years ending June 30, 2022. Absent further action by the Commission concerning recovery of these programs' costs by June 30, 2022, any remaining costs for such programs will be recovered through base rates via a base-rate roll-in effective for service rendered on and after July 1, 2022. These proposed tariff changes are shown in Stipulation Exhibit 9 attached hereto. This provision does not preclude LG&E from seeking Commission approval to recover other appropriate costs through the GLT mechanism.

**4.6. Revisions to Proposed Substitute Gas Sales Service (Rate SGSS).** The Parties agree that LG&E will revise its proposed Rate SGSS such that monthly billing demand will be based on greatest of (1) Maximum Daily Quantity (“MDQ”), (2) current month’s highest daily volume of gas delivered, or (3) 70 percent of the highest daily volume of gas delivered during the previous 11 monthly billing periods. Also, LG&E will revise the provision of Rate SGSS concerning setting the MDQ such that the MDQ for any customer taking service under Rate SGSS when it first becomes effective will be 70% of the highest daily volume projected by LG&E for the customer in the forecasted test year used by LG&E in Case No. 2016-00371. For all other customers that later begin taking service under Rate SGSS, the customer and LG&E may mutually agree to establish the level of the MDQ; provided, however, that in the event that the customer and LG&E cannot agree upon the MDQ, then the level of the MDQ will be equal to 70% of the highest daily volume used by the customer during the 12 months prior to the date the customer began receiving natural gas from another supplier with which the customer is physically connected; in the event that such daily gas usage is not available, then the MDQ will be equal to 70% of the customer’s average daily use for the highest month’s gas use in the 12 months prior to the date the customer began receiving natural gas from another supplier with which the customer is physically connected. In no case will the MDQ be greater than 5,000 Mcf/day. These proposed tariff changes are shown in Stipulation Exhibit 9 attached hereto.

**4.7. Sports Field Lighting Pilot Tariff Provisions.** The Parties agree that the Utilities will add to their electric tariffs a voluntary sports field lighting rate schedule, Pilot Rate OSL – Outdoor Sports Lighting Service, on a limited-participation pilot basis (limited to 20 pilot participants per Utility). The pilot rate uses a time-of-day rate structure. The purpose of the pilot is to determine if sports fields have sufficiently different service characteristics to support

permanent sports field tariff offerings. The proposed tariff provisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

**4.8. Agreement Not to Split Residential and General Service Electric Energy Charges in Tariffs.** The Parties agree that the Utilities will not split their residential and general service electric energy charges into Infrastructure and Variable components as the Utilities had proposed in their applications in these proceedings. The proposed tariff revisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

**4.9. Agreement to File a Study Regarding 100% Base Demand Ratchets for Rate TODS.** The Utilities will file in their next base-rate proceedings a study concerning the impacts of 100% base demand ratchets for Rate TODS.

**4.10. Rate TODP 60-Minute Exemption from Setting Billing Demand Following Utility System Fault.** For customers with their own generation, for 60 minutes immediately following a Utility-system fault, but not a Utility energy spike or a fault on a customer's system, the Utilities will not use any demand data for a Rate TODP customer to set billing demand. This 60-minute exemption from setting billing demand permits customers who have significant onsite generation (i.e., 1 MW or more) that comes offline due to a Utility-system fault to reset and bring back online their own generation before the Utilities will measure demand to be used for billing purposes. The proposed tariff revisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

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**4.11. Optional Pilot Rates for Schools Subject to KRS 160.325.** The Parties agree that the Utilities will add to their electric tariffs optional pilot tariff provisions for schools subject to KRS 160.325. The pilot rates will not be limited in the number of schools that may participate, but will be limited by the projected revenue impact to the Utilities. Each utility's

pilot rate provisions will be available to new participants until the total projected revenue impact (reduction) for each Utility is \$750,000 annually compared to the projected annual revenues for the participating schools under the rates under which the schools would otherwise be served. KSBA will be responsible for proposing schools for participation in the pilot rates and the order in which such schools are proposed; the Utilities will calculate and provide to KSBA the projected revenue impact of each proposed school's taking service under pilot rates. The proposed tariff revisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

#### **ARTICLE V. TREATMENT OF CERTAIN SPECIFIC ISSUES**

##### **5.1. Regulatory Accounting for Over- and Under-Recovery of Regulatory Assets.**

The Parties agree to, and ask the Commission to approve, the Utilities' continued use of regulatory asset accounting for regulatory assets embedded in the Utilities' proposed revenue requirement except that shorter-lived regulatory assets should be credited for the amounts collected through base rates even if such amortization results in changing such a regulatory asset to a regulatory liability with any remaining balances being addressed in the Utilities' next base rate case. This would include the regulatory assets for rate case expenses, 2011 summer storm expenses, and Green River. This will help ensure the Utilities only recover actual costs incurred and do not ultimately over-recover such regulatory assets as they are amortized and recovered through base rates.

**5.2. Commitment to Apply for School Energy Managers Program ("SEMP") Extension.** The Utilities commit to file with the Commission an application proposing a two-year extension of SEMP (for July 1, 2018, through June 30, 2020). The total annual level of funding to be proposed is \$725,000; prior to filing the application, the Utilities will consult with

KSBA to determine an appropriate allocation of the total annual funds between KU and LG&E. The Utilities commit to file the above-described application with the Commission no later than December 31, 2017.

**5.3. Commitment to File Lead-Lag Study in Next Base-Rate Cases.** The Utilities commit to file a lead-lag study in their next base-rate cases.

**5.4. Collaborative Study Regarding Electric Bus Infrastructure and Rates.** The Utilities commit to fund a study concerning economical deployment of electric bus infrastructure in the Louisville and Lexington areas, as well as possible cost-based rate structures related to charging stations and other infrastructure needed for electric buses. The Utilities commit to work collaboratively with Louisville Metro, LFUCG, and any other interested Parties to these proceedings to develop the parameters for the study, including reasonable cost and timing, and to review the study's results with representatives of Louisville Metro and LFUCG. The collaborative will include only those Parties to these proceedings interested in participating in the collaborative.

**5.5. LED Lighting Collaborative.** The Utilities commit to engage in good faith with Louisville Metro, LFUCG, and any other interested Parties to these proceedings in a collaborative to discuss issues related to LED lighting to determine what LED street lighting equipment and rate structures might be offered by the Utilities. The collaborative will include only those Parties to these proceedings interested in participating in the collaborative.

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**5.6. Home Energy Assistance Charges.** The Parties agree that KU will increase its monthly residential charge for the Home Energy Assistance ("HEA") program from the current \$0.25 per month to \$0.30 per month, which shall remain effective through June 30, 2021, regardless of whether the Utilities file one or more base-rate cases during that commitment

period. The Parties further agree that LG&E will continue its monthly residential charge (for gas and electric service) for the Home Energy Assistance (“HEA”) program at \$0.25 per month, which shall remain effective until the effective date of new base rates for the Utilities following their next general base-rate cases. The change to the KU HEA charge is reflected in the proposed tariff sheets attached hereto as Stipulation Exhibit 7.

**5.7. Low-Income Customer Support.** The Utilities commit to contribute a total of \$1,450,000 of shareholder funds per year, which commitment will remain in effect through June 30, 2021, regardless of whether the Utilities file one or more base-rate cases during that commitment period.

(A) The total annual shareholder contribution from KU shall be as follows: \$100,000 for Wintercare and \$470,000 for HEA. CAC administers both programs.

(B) The total annual shareholder contribution from LG&E shall be as follows: \$700,000 to ACM for utility assistance and \$180,000 for HEA.

(C) KU agrees that up to 10% of its total contributions to CAC may be used for reasonable administrative expenses.

(D) LG&E agrees that up to 10% of its total contributions to ACM may be used for reasonable administrative expenses.

(E) None of the Utilities’ shareholder contributions will be conditioned upon receiving matching funds from other sources.

(F) The Utilities commit not to seek reductions to their HEA charges that would become effective before June 30, 2021, for LG&E or KU regardless of whether the Utilities file one or more base-rate cases during that commitment period.

5.8. **All Other Relief Requested by Utilities to Be Approved as Filed.** The Parties agree and recommend to the Commission that, except as modified in this Stipulation and the exhibits attached hereto, the rates, terms, and conditions contained in the Utilities' filings in these Rate Proceedings, as well as the Companies' requests for CPCNs for their proposed Distribution Automation project, should be approved as filed.

#### **ARTICLE VI. MISCELLANEOUS PROVISIONS**

6.1. Except as specifically stated otherwise in this Stipulation, entering into this Stipulation shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in these Rate Proceedings is true or valid.

6.2. The Parties hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Stipulation.

6.3. Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission on or about April 19, 2017, together with a request to the Commission for consideration and approval of this Stipulation for rates to become effective for service rendered on and after July 1, 2017.

6.4. This Stipulation is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties commit to work in good faith to address and remedy promptly any such perceived violation. In all events counsel for all Parties

will represent to the Commission that the Stipulation is a fair, just, and reasonable means of resolving all issues in these proceedings, and will clearly and definitively ask the Commission to accept and approve the Stipulation as such.

6.5. If the Commission issues an order adopting this Stipulation in its entirety and without additional conditions, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order. With regard to this provision, all of the Parties acknowledge that certain of the Parties, and in particular the Sierra Club, are entities with members who are not under a Party's control but who might purport to act for, or on behalf of, the Party. Therefore, the Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation. All Parties agree that no monetary damages will be sought or obtained from a Party if the Party is not in breach, but rather a non-Party purporting to act for the Party has sought rehearing or appeal of a Commission order adopting this Stipulation in its entirety and without additional conditions.

6.6. If the Commission does not accept and approve this Stipulation in its entirety, then any adversely affected Party may withdraw from the Stipulation within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving notice of withdrawal to all other Parties and (2) timely filing for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, all Parties will continue to have the right to withdraw until the conclusion of all rehearings and appeals. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearings and appeals, all Parties that have not withdrawn will continue to be bound by the terms of the Stipulation as modified by the Commission's order.

6.7. If the Stipulation is voided or vacated for any reason after the Commission has approved the Stipulation, none of the Parties will be bound by the Stipulation.

6.8. The Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

6.9. The Stipulation shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

6.10. The Stipulation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Stipulation.

6.11. The Parties hereto agree that, for the purpose of the Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

6.12. The Parties hereto agree that neither the Stipulation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not have any precedential value in this or any other jurisdiction.

6.13. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Stipulation and based upon the foregoing are authorized to execute this Stipulation on behalf of their respective Parties.

6.14. The Parties hereto agree that this Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or

against any party. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of the Utilities are unknown and this Stipulation shall be implemented as written.

6.15. The Parties hereto agree that this Stipulation may be executed in multiple counterparts.

## **APPENDIX A: LIST OF STIPULATION EXHIBITS**

Stipulation Exhibit 1: KU Depreciation Rates

Stipulation Exhibit 2: LG&E Electric Depreciation Rates

Stipulation Exhibit 3: LG&E Gas Depreciation Rates

Stipulation Exhibit 4: KU Revenue Allocation Schedule

Stipulation Exhibit 5: LG&E Electric Revenue Allocation Schedule

Stipulation Exhibit 6: LG&E Gas Revenue Allocation Schedule

Stipulation Exhibit 7: KU Tariff Sheets

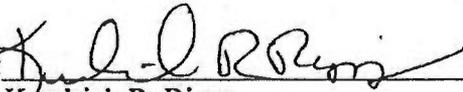
Stipulation Exhibit 8: LG&E Electric Tariff Sheets

Stipulation Exhibit 9: LG&E Gas Tariff Sheets

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

Kentucky Utilities Company and  
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

By:   
Kendrick R. Riggs

-and-

By: Allyson K. Sturgeon (KRC  
Allyson K. Sturgeon L/permission)

Association of Community Ministries, Inc.

HAVE SEEN AND AGREED:

By: *Lisa Kilkelly*  
Lisa Kilkelly  
Eileen Ordoover

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Attorney General for the Commonwealth of  
Kentucky, by and through the Office of Rate  
Intervention

HAVE SEEN AND AGREED:

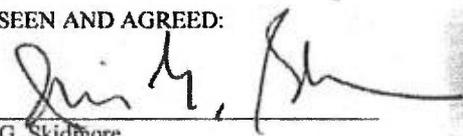
By:   
Kent Chandler  
Lawrence W. Cook  
Rebecca W. Goodman

Community Action Council for  
Lexington-Fayette, Bourbon, Harrison  
and Nicholas Counties, Inc.

HAVE SEEN AND AGREED:

By: \_\_\_\_\_

Iris G. Skidmore

A handwritten signature in black ink, appearing to read 'Iris G. Skidmore', written over a horizontal line.

United States Department of Defense and All Other  
Federal Executive Agencies

HAVE SEEN AND AGREED:

By: Emily W. Medlyn  
Emily W. Medlyn  
G. Houston Parrish

Kentucky Industrial Utility Customers, Inc.

HAVE SEEN AND AGREED:

By: Michael L. Kurtz  
Michael L. Kurtz  
Kurt J. Boehm  
Jody Kyler Cohn

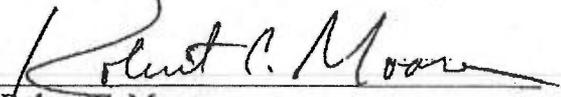
Kentucky League of Cities

HAVE SEEN AND AGREED:

By:   
Laura Ross

The Kroger Company

HAVE SEEN AND AGREED:

By:   
Robert C. Moore

Kentucky School Boards Association

HAVE SEEN AND AGREED:

By: Matthew R. Malone (KRBism w/  
Matthew R. Malone  
William H. May, III  
permission)

Lexington-Fayette Urban County Government

HAVE SEEN AND AGREED:

By: M. Todd Osterloh

James W. Gardner

M. Todd Osterloh

David J. Barberie

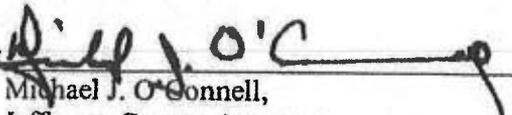
Andrea C. Brown

Janet M. Graham

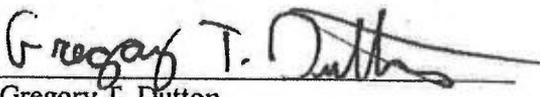
*Subject to ratification by the Urban County Council*

Louisville/Jefferson County Metro Government

HAVE SEEN AND AGREED:

By:   
Michael J. O'Connell,  
Jefferson County Attorney

-and-

By:   
Gregory T. Dutton,  
Counsel for Louisville Metro

Metropolitan Housing Coalition

HAVE SEEN AND AGREED:

By: Tom Fitzgerald (KRR w/  
Tom Fitzgerald permission)

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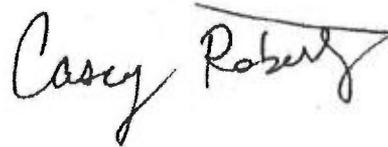
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Sierra Club, Alice Howell, Carl Vogel  
and Amy Waters

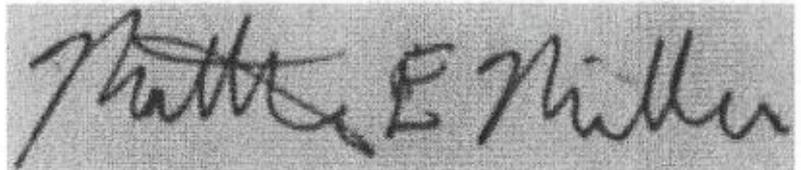
HAVE SEEN AND AGREED:



By: \_\_\_\_\_  
Joe F. Childers



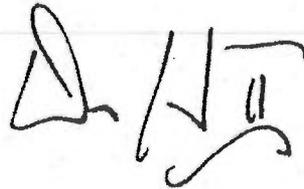
\_\_\_\_\_  
Casey Roberts



\_\_\_\_\_  
Matthew E. Miller

JBS Swift & Co.

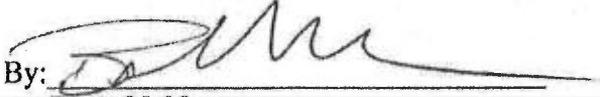
HAVE SEEN AND AGREED:

A handwritten signature in black ink, appearing to read "D. Howard, II". The signature is written in a cursive style with a large initial "D" and a stylized "H".

By: \_\_\_\_\_  
Dennis G. Howard, II

Wal-Mart Stores East, LP and Sam's East, Inc.

HAVE SEEN AND AGREED:

By: 

Barry N. Naum  
Don C.A. Parker

## SECOND STIPULATION AND RECOMMENDATION

This Second Stipulation and Recommendation ("Second Stipulation") is entered into this first day of May 2017 by and between Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "the Utilities"); BellSouth Telecommunications, LLC d/b/a AT&T Kentucky ("AT&T"), and Kentucky Cable Telecommunications Association ("KCTA"). (Collectively, the Utilities, AT&T and KCTA are the "Parties.")

### WITNESSETH:

**WHEREAS**, on November 23, 2016, KU filed with the Kentucky Public Service Commission ("Commission") its Application for Authority to Adjust Electric Rates and For Certificates of Public Convenience and Necessity, *In the Matter of: An Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and For Certificates of Public Convenience and Necessity*, and the Commission has established Case No. 2016-00370 to review KU's base rate application, in which KU requested a revenue increase of \$103.1 million;

**WHEREAS**, on November 23, 2016, LG&E filed with the Commission its Application for Authority to Adjust Electric and Gas Rates and For Certificates of Public Convenience and Necessity, *In the Matter of: An Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and For Certificates of Public Convenience and Necessity*, and the Commission has established Case No. 2016-00371 to review LG&E's base rate application, in which LG&E requested a revenue increase for its electric operations of \$93.6 million and a revenue increase of \$13.8 million for its gas operations (Case Nos. 2016-00370 and 2016-00371 are hereafter collectively referenced as the "Rate Proceedings");

**WHEREAS**, on February 20, 2017, LG&E filed with the Commission in Case No. 2016-00371 a Supplemental Response to Commission Staff's First Request for Information No. 54 in

which LG&E corrected its requested revenue increases for its electric operations to be \$94.1 million and for its gas operations to be \$13.4 million;

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00370 to the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“AG”), AT&T, Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (“CAC”), KCTA, Kentucky Industrial Utility Customers, Inc. (“KIUC”), Kentucky League of Cities (“KLC”), The Kroger Company (“Kroger”), Kentucky School Boards Association (“KSBA”), Lexington-Fayette Urban County Government (“LFUCG”), Sierra Club, Alice Howell, and Carl Vogel, and Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively “Wal-Mart”);

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00371 to Association of Community Ministries, Inc., AG, AT&T, United States Department of Defense and All Other Federal Executive Agencies, KCTA, KIUC, Kroger, KSBA, Louisville/Jefferson County Metro Government, Metropolitan Housing Coalition, Sierra Club and Amy Waters, JBS Swift & Co., and Wal-Mart;

**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement and the text of a stipulation and recommendation, attended by representatives of the Parties and the Commission Staff, took place on April 12, 13, and 17, 2017, at the offices of the Commission, which representatives of AT&T and KCTA also attended on April 12 and 13, and which representatives of KCTA also attended on April 17, and during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Rate Proceedings;

**WHEREAS**, all parties to these proceedings except AT&T and KCTA reached agreement and entered into a stipulation and recommendation (“First Stipulation”), which the Utilities filed with the Commission on April 19, 2017;

**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement and the text of this Second Stipulation, attended by representatives of the Parties and the Commission Staff, took place on April 25, 2017, at the offices of the Commission, during which a number of procedural and substantive issues were discussed;

**WHEREAS**, it is understood by all Parties hereto that this Second Stipulation is subject to the approval of the Commission, insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to the Utilities’ rates, terms, or conditions;

**WHEREAS**, the Parties have spent many hours over several days to reach the stipulations and agreements which form the basis of this Second Stipulation;

**WHEREAS**, the Parties agree that this Second Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues addressed herein, and that the First and Second Stipulations, considered together, produce a fair, just, and reasonable resolution of all the issues in the Rate Proceedings; and

**WHEREAS**, the Parties believe sufficient and adequate data and information in the record of these proceedings support this Second Stipulation, and further believe the Commission should approve it;

**NOW, THEREFORE**, for and in consideration of the promises and conditions set forth herein, the Parties hereby stipulate and agree as follows:

## **ARTICLE I. RATE PSA MODIFICATIONS**

**1.1. Attachment Charges for Wireline Facilities.** The Parties stipulate that an annual attachment charge of \$7.25 for a wireline facility is fair, just, and reasonable. The Commission previously approved this charge in the Utilities' most recent general rate case proceedings, Cases No. 2014-00371 and No. 2014-00372. The Utilities have not proposed to adjust this rate, which assumes that a wireline facility will require one foot of usable pole space. AT&T and KCTA have previously advised the Commission that they have no objections to this rate remaining in effect.

**1.2. Attachment Charges for Pole-Top Wireless Facilities.** The Parties stipulate that a fair, just, and reasonable rate for wireless facilities attached to the top of the Utilities' structures is \$36.25 per year. They agree that for purposes of determining the annual charge, a pole-top wireless facility should be allocated five feet of usable pole space. The Utilities assert that this allocation is based upon the premise that, as the Utilities typically have electric facilities located at or near the top of their distribution poles, a pole top wireless facility, such as an antenna, requires a five foot taller pole to maintain a safe working distance of at least 48 inches between the electric facilities and the pole top antenna. Thus, the Utilities assert that the Wireless Facility owner is responsible for the top 5 feet of the pole: one foot for the antenna and four feet of clearance above the power space. Without adopting the Utilities' assertions set out in the preceding two sentences, AT&T agrees that an allocation of five feet of usable pole space is supported by evidence in the record. As the Commission has previously approved the annual rate of \$7.25 for one foot of pole space, the use of five feet will produce an annual charge of \$36.25.

**1.3. Attachment Charges for Mid-Pole Wireless Facilities.** The Parties stipulate and agree that, given the lack of information regarding the size and characteristic of wireless antennas and other devices that may be attached to an electric utility pole in the communications space, a uniform rate for such attachments cannot be easily developed and that the rate for such attachments should be developed on a case-by-case basis through special contracts until a sufficient number of such attachments have been made to the Utilities' structures to develop a tariffed rate. At the time of their next general rate applications, the Utilities will determine if they have sufficient evidence regarding mid-pole devices to determine whether a uniform rate is appropriate and, if so, revise the PSA Rate Schedule accordingly.

**1.4. Terms and Conditions of Rate PSA.** The Parties stipulate and agree that revisions to the originally proposed version of the PSA Rate Schedule are necessary to afford sufficient flexibility for Attachment Customers to permit them to operate effectively in the unregulated, market-based telecommunications industry. The revised PSA Rate Schedules, which are shown in Exhibits 1 and 2 to this Second Stipulation, with the proposed additions and deletions clearly marked, appropriately balance an Attachment Customer's need for flexibility with the public's interest in reliable and safe electric service. The Parties stipulate that, as revised, the terms and conditions set forth in the proposed PSA Rate Schedule are fair, just, and reasonable, will promote public safety, enhance the reliability of electric service, and ensure fair and uniform treatment of Attachment Customers as well as promote the deployment and adoption of advanced communications services.

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## **ARTICLE II. FIRST STIPULATION**

**2.1. No objections.** AT&T and KCTA have reviewed the First Stipulation filed with the Commission on April 19, 2017 and have no objections to it, except to the extent the First

Stipulation's electric tariff exhibits contained PSA Rate Schedules inconsistent with this Second Stipulation and its exhibits, in which case the latter should control.

**2.2. AMS Collaborative.** The Parties agree that the Utilities shall notify AT&T and KCTA if and when it engages in any AMS Collaborative pursuant to the First Stipulation § 1.2 and that AT&T and KCTA may, at their option, participate in any or all phases of the AMS Collaborative.

### **ARTICLE III. MISCELLANEOUS PROVISIONS**

**3.1.** Except as specifically stated otherwise in this Second Stipulation, entering into this Second Stipulation shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in these Rate Proceedings is true or valid.

**3.2.** The Parties hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Second Stipulation.

**3.3.** Following the execution of this Second Stipulation, the Parties shall cause it to be filed with the Commission on or about May 1, 2017, together with a request to the Commission for consideration and approval of this Second Stipulation for rates to become effective for service rendered on and after July 1, 2017.

**3.4.** This Second Stipulation is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Second Stipulation and the First Stipulation be accepted and approved. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties

commit to work in good faith to address and remedy promptly any such perceived violation. In all events counsel for all Parties will represent to the Commission that the First and Second Stipulations, taken together, produce a fair, just, and reasonable means of resolving all issues in these proceedings, and will clearly and definitively ask the Commission to accept and approve the First and Second Stipulations as such.

3.5. If the Commission issues an order adopting this Second Stipulation in its entirety and without additional conditions, irrespective of whether the Commission approves the terms of the First Stipulation, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to the portions of such order that concern this Second Stipulation. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation. All Parties agree that no monetary damages will be sought or obtained from a Party if the Party is not in breach, but rather a non-Party purporting to act for the Party has sought rehearing or appeal of a Commission order adopting this Second Stipulation in its entirety and without additional conditions.

3.6. If the Commission does not accept and approve this Second Stipulation in its entirety and without additional conditions, then any adversely affected Party may withdraw from the Second Stipulation within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving notice of withdrawal to all other Parties and (2) timely filing for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, all Parties will continue to have the right to withdraw until the conclusion of all rehearings and appeals. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearings and appeals, all

Parties that have not withdrawn will continue to be bound by the terms of the Second Stipulation as modified by the Commission's order.

3.7. If the Second Stipulation is voided or vacated for any reason after the Commission has approved the Second Stipulation, none of the Parties will be bound by the Second Stipulation.

3.8. The Second Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

3.9. The Second Stipulation shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

3.10. The Second Stipulation, including its Exhibits, constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Second Stipulation.

3.11. The Parties hereto agree that, for the purpose of the Second Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

3.12. The Parties hereto agree that neither the Second Stipulation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Second Stipulation. This Second Stipulation shall not have any precedential value in this or any other jurisdiction.

3.13. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Second

Stipulation and based upon the foregoing are authorized to execute this Second Stipulation on behalf of their respective Parties.

3.14. The Parties hereto agree that this Second Stipulation is a product of negotiation among all Parties hereto, and no provision of this Second Stipulation shall be strictly construed in favor of or against any party.

3.15. The Parties hereto agree that this Second Stipulation may be executed in multiple counterparts.

**(This space intentionally left blank.)**

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

Kentucky Utilities Company and  
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

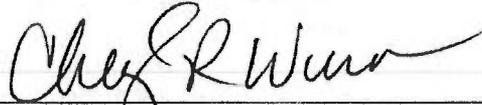
By: Kendrick R Riggs  
Kendrick R. Riggs

-and-

By: Allyson K. Sturgeon with  
Allyson K. Sturgeon permission  
(ARR)

BellSouth Telecommunications, LLC d/b/a AT&T  
Kentucky

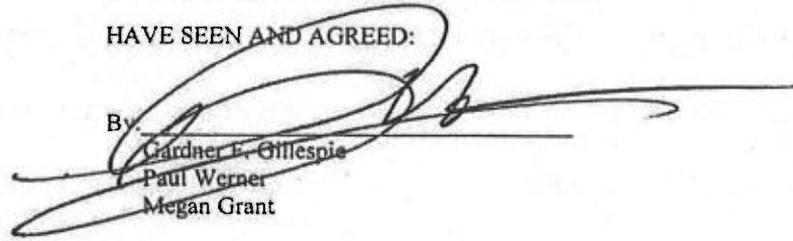
HAVE SEEN AND AGREED:

By:   
Cheryl R. Winn

Kentucky Cable Telecommunications Association

HAVE SEEN AND AGREED:

By

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Gardner E. Gillespie  
Paul Werner  
Megan Grant

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2016-00370 DATED JUN 22 2017

The following rates and charges are prescribed for the customers in the area served by Kentucky Utilities Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE RS  
RESIDENTIAL SERVICE

Basic Service Charge per Month	\$12.25
Energy Charge per kWh	\$ .09070

SCHEDULE RTOD-ENERGY  
RESIDENTIAL TIME-OF-DAY ENERGY SERVICE

Basic Service Charge per Month	\$12.25
Energy Charge per kWh	
Off Peak Hours	\$ .05916
On Peak Hours	\$ .27646

SCHEDULE RTOD-DEMAND  
RESIDENTIAL TIME-OF-DAY DEMAND SERVICE

Basic Service Charge per Month	\$12.25
Energy charge per kWh	\$ 0.04504
Demand Charge per kW	
Off Peak Hours	\$ 3.44
On Peak Hours	\$ 7.87

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SCHEDULE VFD  
VOLUNTEER FIRE DEPARTMENT

Basic Service Charge per Month	\$12.25
Energy Charge per kWh	\$ .09070

SCHEDULE GS  
GENERAL SERVICE RATE

Basic Service Charge per Month – Single Phase	\$31.50
Basic Service Charge per Month – Three Phase	\$50.40
Energy Charge per kWh	\$ .10428

SCHEDULE AES  
ALL ELECTRIC SCHOOL

Basic Service Charge per Month – Single Phase	\$ 85.00
Basic Service Charge per Month – Three Phase	\$140.00
Energy Charge per kWh	\$ .08306

SCHEDULE PS  
POWER SERVICE

Secondary Service:

Basic Service Charge per Month	\$ 90.00
Demand Charge per kW:	
Summer Rate	\$ 20.17
Winter Rate	\$ 17.95
Energy Charge per kWh	\$ .03547

Primary Service:

Basic Service Charge per Month	\$240.00
Demand Charge per kW:	
Summer Rate	\$ 20.35
Winter Rate	\$ 18.16
Energy Charge per kWh	\$ .03448

SCHEDULE TODS  
TIME-OF-DAY SECONDARY SERVICE

Basic Service Charge per Month	\$200.00
Maximum Load Charge per kW:	
Base Demand Period	\$ 2.73
Intermediate Demand Period	\$ 6.11
Peak Demand Period	\$ 7.79
Energy Charge per kWh	\$ .03508

SCHEDULE TODP  
TIME-OF-DAY PRIMARY SERVICE

Basic Service Charge per Month	\$ 330.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 2.75
Intermediate Demand Period	\$ 5.03
Peak Demand Period	\$ 6.43
Energy Charge per kWh	\$ .03415

SCHEDULE RTS  
RETAIL TRANSMISSION SERVICE

Basic Service Charge per Month	\$1,500.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 1.99
Intermediate Demand Period	\$ 4.94
Peak Demand Period	\$ 6.31
Energy Charge per kWh	\$ .03338

SCHEDULE FLS  
FLUCTUATING LOAD SERVICE

Primary:

Basic Service Charge per Month	\$ 330.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 2.45
Intermediate Demand Period	\$ 4.48
Peak Demand Period	\$ 5.91
Energy Charge per kWh	\$ .03415

Transmission:

Basic Service Charge per Month	\$1,500.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 1.53
Intermediate Demand Period	\$ 2.29
Peak Demand Period	\$ 3.25
Energy Charge per kWh	\$ .03315

SCHEDULE LS  
LIGHTING SERVICE

Rate per Light per Month: (Lumens Approximate)

Overhead:

	<u>Fixture Only</u>	<u>Ornamental</u>
<u>High Pressure Sodium:</u>		
5,800 Lumens - Cobra Head	\$ 9.86	\$ 13.52
9,500 Lumens - Cobra Head	\$ 10.34	\$ 14.21
22,000 Lumens - Cobra Head	\$ 16.08	\$ 20.22
50,000 Lumens - Cobra Head	\$ 25.61	\$ 28.37
9,500 Lumens - Directional	\$ 10.19	
22,000 Lumens - Directional	\$ 15.42	
50,000 Lumens - Directional	\$ 21.95	
9,500 Lumens - Open Bottom	\$ 8.87	
<u>Metal Halide</u>		
32,000 Lumens - Directional	\$ 22.80	
<u>Light Emitting Diode (LED)</u>		
8,179 Lumens - Cobra Head	\$ 14.92	
14,166 Lumens - Cobra Head	\$ 18.09	
23,214 Lumens - Cobra Head	\$ 27.63	
5,007 Lumens - Open Bottom	\$ 9.94	

Underground:

	<u>Fixture Only</u>	<u>Decorative Smooth</u>	<u>Historic Fluted</u>
<u>High Pressure Sodium:</u>			
5,800 Lumens - Colonial		\$ 12.59	
9,500 Lumens - Colonial		\$ 12.92	
5,800 Lumens - Acorn		\$ 17.18	\$ 24.50
9,500 Lumens - Acorn		\$ 17.63	\$ 25.09
5,800 Lumens - Victorian			\$ 34.07
9,500 Lumens - Victorian			\$ 34.39
5,800 Lumens - Contemporary	\$ 17.12	\$ 19.35	
9,500 Lumens - Contemporary	\$ 17.00	\$ 23.94	

22,000 Lumens - Contemporary	\$ 19.84	\$ 30.82
50,000 Lumens - Contemporary	\$ 24.15	\$ 38.09
4,000 Lumens - Dark Sky Lantern		\$ 24.87
9,500 Lumens - Dark Sky Lantern		\$ 25.99

Metal Halide

32,000 Lumens - Contemporary	\$ 24.68	\$ 38.87
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Light Emitting Diode (LED)

8,179 Lumens - Cobra Head		\$ 35.44
14,166 Lumens - Cobra Head		\$ 38.61
23,214 Lumens - Cobra Head		\$ 48.14
5,665 Lumens - Open Bottom		\$ 37.51

SCHEDULE RLS  
RESTRICTED LIGHTING SERVICE

Overhead:

	<u>Fixture Only</u>	<u>Fixture and Pole</u>
<u>High Pressure Sodium:</u>		
4,000 Lumens - Cobra Head	\$ 8.84	\$ 12.16
50,000 Lumens - Cobra Head	\$ 14.06	
5,800 Lumens - Open Bottom	\$ 8.54	
<u>Metal Halide</u>		
12,000 Lumens - Directional	\$ 16.13	\$ 20.89
32,000 Lumens - Directional		\$ 27.56
107,800 Lumens - Directional	\$ 47.70	\$ 52.45
<u>Mercury Vapor:</u>		
7,000 Lumens - Cobra Head	\$ 10.83	\$ 13.34
10,000 Lumens - Cobra Head	\$ 12.84	\$ 15.07
20,000 Lumens - Cobra Head	\$ 14.53	\$ 17.01
7,000 Lumens - Open Bottom	\$ 11.87	
<u>Incandescent:</u>		
1,000 Lumens - Tear Drop	\$ 3.81	
2,500 Lumens - Tear Drop	\$ 5.11	
4,000 Lumens - Tear Drop	\$ 7.63	
6,000 Lumens - Tear Drop	\$ 10.19	

Underground:

		<u>Decorative Smooth</u>	<u>Historic Fluted</u>
<u>Metal Halide</u>			
12,000 Lumens - Directional		\$ 31.20	
32,000 Lumens - Directional		\$ 36.99	
107,800 Lumens - Directional		\$ 61.66	
12,000 Lumens - Contemporary	\$ 17.45	\$ 31.42	
107,800 Lumens - Contemporary	\$ 51.32	\$ 65.28	
<u>High Pressure Sodium:</u>			
4,000 Lumens - Acorn		\$ 15.69	\$ 23.13
4,000 Lumens - Colonial		\$ 11.18	
5,800 Lumens - Coach		\$ 34.07	
9,500 Lumens - Coach		\$ 34.39	
16,000 Lumens - Granville		\$ 62.30	

SCHEDULE TE  
TRAFFIC ENERGY SERVICE

Basic Service Charge per Month	\$ 4.00
Energy Charge per kWh	\$ .09013

SCHEDULE PSA  
POLE AND STRUCTURE ATTACHMENT CHARGES

Per Year for Each Attachment to Pole	\$ 7.25
Per Year for Each Linear Foot of Duct	\$ .81
Per Year for Each Wireless Facility	\$36.25

RATE CSR-1  
CURTAILABLE SERVICE RIDER

	<u>Transmission</u>	<u>Primary</u>
Demand Credit per kVA	\$ 3.20	\$ 3.31
Non-compliance Charge Per kVA	\$16.00	\$16.00

RATE CSR-2  
CURTAILABLE SERVICE RIDER

	<u>Transmission</u>	<u>Primary</u>
Demand Credit per kVA	\$ 5.90	\$ 6.00
Non-compliance Charge Per kVA	\$ 16.00	\$ 16.00

RC  
REDUNDANT CAPACITY

Charge per kW/kVA per month		
Secondary Distribution		\$ 1.04
Primary Distribution		\$ .86

EVSE  
ELECTRIC VEHICLE SUPPLY EQUIPMENT

Monthly Charging Unit Fee:		
Single Charger		\$182.27
Dual Charger		\$306.01

EVC  
ELECTRIC VEHICLE CHARGING SERVICE

Fee per Hour		\$ 2.84
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EVSE-R  
ELECTRIC VEHICLE SUPPLY EQUIPMENT

Monthly Charging Unit Fee:		
Single Charger		\$131.41
Dual Charger		\$204.31

SSP  
SOLAR SHARE PROGRAM RIDER

Monthly Charge:		
Solar Capacity Charge		\$ 6.24
Solar Energy Credit per kWh of Pro Rata Energy Produced:		
RS		\$ .03520
RTOD-Energy		\$ .03520
RTOD-Demand		\$ .03520
VFD		\$ .03520

GS	\$ .03524
AES	\$ .03526
PS Secondary	\$ .03547
PS Primary	\$ .03448
TODS	\$ .03508
TODP	\$ .03415

SPS  
SCHOOL POWER SERVICE

Secondary Service:

Basic Service Charge per Month	\$ 90.00
Demand Charge per kW:	
Summer Rate	\$ 17.89
Winter Rate	\$ 15.92
Energy Charge per kWh	\$ .03572

STOD  
SCHOOL TIME-OF-DAY SERVICE

Basic Service Charge per Month	\$200.00
Maximum Load Charge per kW:	
Base Demand Period	\$ 4.83
Intermediate Demand Period	\$ 4.25
Peak Demand Period	\$ 5.76
Energy Charge per kWh	\$ .03527

OSL  
OUTDOOR SPORTS LIGHTING SERVICE

Secondary Service:

Basic Service Charge per Month	\$ 90.00
Demand Charge per kW:	
Peak Demand Period	\$ 16.15
Base Demand Period	\$ 2.73
Energy Charge per kWh	\$ .03571

Primary Service:

Basic Service Charge per Month	\$240.00
Demand Charge per kW:	
Peak Demand Period	\$ 16.32
Base Demand Period	\$ 2.75
Energy Charge per kWh	\$ .03472

UNAUTHORIZED RECONNECT CHARGE

Tampering or Unauthorized Connection or Reconnection Fee:

Meter Replacement Not Required	\$ 70.00
Single Phase Standard Meter Replacement Required	\$ 90.00
Single Phase AMR Meter Replacement Required	\$ 110.00
Single Phase AMS Meter Replacement Required	\$ 174.00
Three Phase Meter Replacement Required	\$ 177.00

HEA

HOME ENERGY ASSISTANCE PROGRAM

Per Month \$ .30

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE )  
GAS AND ELECTRIC COMPANY FOR AN ) CASE NO.  
ADJUSTMENT OF ITS ELECTRIC AND GAS ) 2016-00371  
RATES AND FOR CERTIFICATES OF PUBLIC )  
CONVENIENCE AND NECESSITY )

ORDER

Louisville Gas and Electric Company ("LG&E") is a combination electric and gas utility that generates, transmits, distributes, and sells electricity to consumers in Jefferson County, Kentucky, and in portions of eight other Kentucky counties.<sup>1</sup> LG&E also purchases, stores, and transports natural gas and distributes and sells natural gas at retail in Jefferson County and portions of 16 other Kentucky counties.<sup>2</sup> Its most recent general rate increase was granted in Case No. 2014-00372.<sup>3</sup>

BACKGROUND

On October 21, 2016, LG&E filed a notice of its intent to file an application for approval of an increase in its electric and gas rates based on a forecasted test year ending June 30, 2018. On November 23, 2016, LG&E filed its application, which included new rates to be effective January 1, 2017, based on a request to increase electric revenues

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<sup>1</sup> Application, ¶ 2.

<sup>2</sup> *Id.*

<sup>3</sup> Case No. 2014-00372, *Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates* (Ky. PSC June 30, 2015).

## Employee Retirement Plans

LG&E maintains a Defined Dollar Benefit Retirement Plan for those employees hired prior to January 1, 2006 ("Pre 2006 DDB Plan").<sup>45</sup> This plan was closed to new participants and was replaced with a Retirement Income Account ("401(k) Plan") for those employees hired after January 1, 2006.<sup>46</sup> All employees that were hired prior to January 1, 2006, are eligible to participate in both the Pre 2006 DDB Plan and the 401(k) Plan.<sup>47</sup> LG&E contributes 100 percent of the Pre 2006 DDB Plan costs.<sup>48</sup> LG&E also contributes to the 401(k) Plan between 3 percent to 7 percent<sup>49</sup> of eligible employee compensation and a \$0.70 per dollar match for employee contributions up to 6 percent of the employee's eligible contribution.<sup>50</sup>

The Commission finds that, for ratemaking purposes, it is not reasonable to include both LG&E Pre 2006 DDB Plan contributions and LG&E's matching contributions to the 401(k) Plan for the following employee categories: exempt, manager, non-exempt, and officer and director personnel. The Commission chooses not to address similar 401(k) Plan company matching contributions for hourly and bargaining unit employees in

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<sup>45</sup> See LG&E's response to Commission Staff's Fourth Request for Information ("Staff's Fourth Request"), Item 6.

<sup>46</sup> Refer to LG&E's response to Commission Staff's First Post-Hearing Request for Information dated May 12, 2017, Item 11. Although throughout this proceeding, LG&E made references to two separate post-2016 retirement plans, the Retirement Income Account and the 401(k) Savings Plan, they are actually the same plan.

<sup>47</sup> *Id.*

<sup>48</sup> Response to Staff's Fourth Request, Item 6.

<sup>49</sup> The percentage contribution rate depends on the employee's years of service as of January 1 of that year.

<sup>50</sup> Response to Staff's Fourth Request, Item 6.

this proceeding, as it is not within the Commission's authority to negotiate or modify bargaining agreements. The Commission will not make a distinction between represented and non-represented hourly groups at this time, but will instead provide an opportunity for LG&E to address these excessive costs for both employee classes prior to its next base rate case as rate recovery of these contributions will be evaluated for appropriateness as part of its next base rate case. Employees participating in the Pre 2006 DDB Plan enjoy generous retirement plan benefits, making the matching 401(k) Plan amounts excessive for ratemaking purposes. Accordingly, the Commission denies for recovery 401(k) Plan matching contributions in the amount of \$1,246,499 before gross-up for LG&E's electric operations and \$407,808 before gross-up for LG&E's gas operations.

#### Return on Equity

In its application, LG&E developed its ROE using the discounted cash flow method ("DCF"), the capital asset pricing model ("CAPM"), the empirical capital asset pricing model ("ECAPM"), the utility risk premium ("RP"), and the expected earnings approach.<sup>51</sup> Based on the results of the methods employed in its analysis, LG&E recommended an ROE range for its electric operations of 9.63 percent to 10.83 percent, including flotation cost.<sup>52</sup> LG&E recommended awarding the midpoint of this range, 10.23 percent, to maintain financial integrity, support additional capital investment and recognize flotation costs.<sup>53</sup> Direct testimony regarding ROE was provided by the AG, DOD/FEA, KIUC, and

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<sup>51</sup> Direct Testimony of Adrien M. McKenzie, CFA ("McKenzie Direct Testimony") at 2.

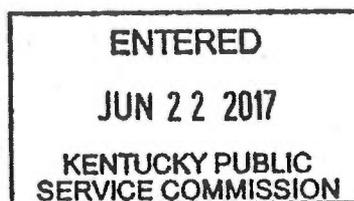
<sup>52</sup> *Id.*, Exhibit No. 2, page 1 of 1.

<sup>53</sup> *Id.* at 5-6.

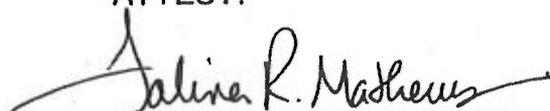
17. Any document filed pursuant to ordering paragraphs 6, 7, 8, 10, 11, 12, and 14 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

18. The Executive Director is delegated authority to grant reasonable extension of time for the filing of any documents required by ordering paragraphs 6, 7, 8, 10, 11, 12, and 14 of this Order upon LG&E's showing of good cause for such extension.

By the Commission



ATTEST:

  
Executive Director

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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<sup>1</sup> Application, ¶ 2.

<sup>2</sup> *Id.*

<sup>3</sup> Case No. 2014-00372, *Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates* (Ky. PSC June 30, 2015).

by \$93.6 million, or 8.5 percent per year for the forecasted test period ending June 30, 2018, compared to the operating revenues for the forecasted test period under existing electric rates.<sup>4</sup> LG&E also sought an increase in its gas rates that would result in an increase in revenues of approximately \$13.8 million, which would represent a 4.2 percent increase over current rates.<sup>5</sup> The proposed increase in electric rates would raise the monthly bill of an average residential electric customer by \$9.65, or 9.5 percent.<sup>6</sup> The average LG&E residential electric customer consumes approximately 957 kilowatt (“kWh”) of electricity per month.<sup>7</sup> The proposed increase in gas rates would raise the monthly bill of an average residential gas customer by \$2.99, or 5 percent.<sup>8</sup> The average LG&E residential gas customer consumes approximately 55 Ccf of gas per month.<sup>9</sup>

LG&E’s application also included requests Certificates of Public Convenience and Necessity (“CPCNs”) to implement an Advanced Meter System (“AMS”) and a Distribution Automation system (“DA”). LG&E stated that the AMS project would involve replacing approximately 418,000 electric meters and adding 322,000 AMS gas indices, which would have two-way communications capabilities.<sup>10</sup> The AMS electric meters would also be equipped with remote service switching capabilities.<sup>11</sup> The estimated capital cost of the

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<sup>4</sup> Application, ¶ 6.

<sup>5</sup> Application, ¶ 8.

<sup>6</sup> Application, ¶ 7.

<sup>7</sup> *Id.*

<sup>8</sup> Application, ¶ 9.

<sup>9</sup> *Id.*

<sup>10</sup> Application, ¶ 16.

<sup>11</sup> *Id.*

proposed AMS project is \$119 million for LG&E electric and \$55 million for LG&E gas.<sup>12</sup> According to LG&E, the AMS project would result in incremental operation and maintenance (“O&M”) cost during the deployment phase of \$13 million for LG&E electric and \$2.5 million for LG&E gas.<sup>13</sup> The deployment period was expected to begin in late 2017 and be completed by the end of 2019.<sup>14</sup> LG&E also requested authority to establish a regulatory asset for the remaining net book value of the electric meters retired as a result of the proposed AMS project.<sup>15</sup> LG&E estimated that the amount of this regulatory asset would be approximately \$12.1 million.<sup>16</sup> In connection with the proposed AMS project, LG&E also sought deviations from certain regulations dealing with meter inspections and testing.

According to LG&E, the proposed DA project involves the extension of intelligent control over electric power grid functions to the distribution system level.<sup>17</sup> The project would enable LG&E’s distribution system to provide real-time information and allow for remote monitoring, remote control, and automation of distribution line equipment.<sup>18</sup> For both LG&E and Kentucky Utilities Company (“KU”), LG&E’s sister company,<sup>19</sup> the total

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<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> Application, ¶ 35.

<sup>16</sup> *Id.*

<sup>17</sup> Application, ¶ 25.

<sup>18</sup> *Id.*

<sup>19</sup> KU has also filed a base rate application seeking, among other things, an increase in its electric rates. That application is docketed as Case No. 2016-00370, *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and for Certificates of Public Convenience and Necessity* (Application filed Nov. 23, 2016).

capital cost of the proposed DA project is approximately \$112 million.<sup>20</sup> The project would be completed in approximately seven years.<sup>21</sup> Of the total capital expenditure, LG&E estimated \$23 million to be incurred before the end of the forecasted test year on June 30, 2018.<sup>22</sup> LG&E and KU (jointly “Companies”) estimated the O&M expense related to the proposed DA project to be \$6 million over the seven-year implementation period, \$1.16 million of which would be incurred before the end of the forecasted test year.<sup>23</sup> The DA project would affect approximately 20 percent of the Companies’ circuits, 40 percent of the Companies’ distribution line miles, and 50 percent of the Companies’ customers.<sup>24</sup>

LG&E also requested that its Gas Line Tracker Mechanism (“GLT”) rates be updated for services rendered on and after July 1, 2017.<sup>25</sup> With the conclusion of the GLT service riser and main replacement projects, LG&E proposed to implement a \$101 million, 15-year program to replace steel customer service lines, known as the Gas Service Line Replacement Program,<sup>26</sup> and a \$60 million, three-year program to replace 15.5 miles of 45–60 year old transmission pipeline, known as the Transmission Pipeline Modernization Program.<sup>27</sup> LG&E proposed changes to its GLT tariff to accommodate its proposed addition of the Transmission Pipeline Modernization Program. The Firm

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<sup>20</sup> Application, ¶ 32.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*, ¶ 33.

<sup>24</sup> *Id.*, ¶ 25.

<sup>25</sup> *Id.*, ¶ 42.

<sup>26</sup> *Id.*, ¶ 43.

<sup>27</sup> *Id.*, ¶ 44.

Transportation FT Rate Schedule and the new SGSS and LGDS schedules are proposed to be added to GLT recovery for the transmission project.<sup>28</sup> All GLT projects prior to July 1, 2017, have been removed from GLT rate base.<sup>29</sup> GLT service charges going forward are proposed to reflect recovery of the proposed Gas Service Line Replacement Program and Transmission Pipeline Modernization Program.<sup>30</sup>

LG&E estimated that it would receive approximately \$522,000 of jurisdictional reservation and termination fees in connection with agreements related to the refined coal production facilities at the Companies' Ghent, Mill Creek, and Trimble County Generating Stations.<sup>31</sup> Pursuant to Case No. 2015-00264,<sup>32</sup> LG&E had been recording these proceeds as a regulatory liability and it now proposes to amortize this regulatory liability over three years.<sup>33</sup>

Lastly, LG&E also submitted a depreciation study in support of its application and requests that its proposed depreciation rates be approved.

Pursuant to the Commission's December 13, 2016 Order, LG&E's new rates, which were proposed to become effective on January 1, 2017, were suspended for six months, up to and including June 30, 2017. The December 13, 2016 Order also established a procedural schedule, which provided for a deadline for filing intervention

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<sup>28</sup> *Id.*, ¶ 42.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*, ¶¶ 43-44.

<sup>31</sup> *Id.*, ¶ 45.

<sup>32</sup> Case No. 2015-00264, *Application of Louisville Gas and Electric Company and Kentucky Utilities Company Regarding Entrance into Refined Coal Agreements, for Proposed Accounting and Fuel Adjustment Clause Treatment, and for Declaratory Ruling* (Ky. PSC Nov. 24, 2015).

<sup>33</sup> Application, ¶ 45.

requests; two rounds of discovery upon LG&E's application; a deadline for the filing of intervenor testimony; one round of discovery upon any intervenor testimony; and an opportunity for LG&E to file rebuttal testimony.

The following parties were granted intervention in this proceeding: the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Kroger Company ("Kroger"); Wal-Mart Stores East, LP and Sam's East, Inc. (jointly "Wal-Mart"); Kentucky School Boards Association ("KSBA"); Kentucky Cable Telecommunications Association ("KCTA"); Amy Waters and Sierra Club (jointly "Sierra Club"); BellSouth Telecommunications, LLC d/b/a AT&T Kentucky ("AT&T"); Department of Defense and all other Federal Executive Agencies ("DOD/FEA"); Association of Community Ministries ("ACM"); Metropolitan Housing Coalition ("MHC"); Louisville/Jefferson County Metro Government ("Louisville Metro"); and JBS Swift & Co. ("JBS").

Informal conferences ("IC") were held at the Commission's offices on April 12, 13, and 17, 2017, which resulted in all of the parties to this matter, with the exception of AT&T and KCTA, reaching a settlement agreement in principle on all issues other than those involving the Companies' proposed Rate PSA – Pole and Structure Attachment Charges.<sup>34</sup> On April 19, 2017, LG&E and KU filed a motion requesting leave to submit the written Stipulation and Recommendation ("First Stipulation") intended to address all of the issues, except for the proposed Rate PSA tariff, in the two respective rate cases. An additional IC was held on April 25, 2017, for the limited purpose of discussing and

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<sup>34</sup> The informal conferences were jointly held to discuss issues in the instant matter and to discuss issues related to the KU rate case, Case No. 2016-00370.

possibly resolving the issues associated with the Companies' proposed Rate PSA tariff. The Companies, KCTA, and AT&T were able to reach an agreement in principle for the resolution of all material issues pertaining to the proposed Rate PSA tariff. On May 1, 2017, LG&E and KU filed a motion requesting leave to submit the written Second Stipulation and Recommendation ("Second Stipulation"), which addresses all of the issues related to the Companies' proposed Rate PSA tariff.

The Commission held information sessions and public meetings for the purpose of taking public comments on April 11, 2017, in Louisville, Kentucky, at Jefferson Community and Technical College, and on April 12, 2017, in Madisonville, Kentucky, at Madisonville Community College.

A formal hearing was held on May 9, 2017, for the purposes of cross-examination of all witnesses and for the consideration of the two stipulations.<sup>35</sup> Pursuant to a May 3, 2017 Order, the Commission required all of the Companies' employee witnesses as well as the Companies' consultant Steven Seelye, KIUC's witness Stephen Baron, and KSBA's witness Ronald Willhite to be present at the hearing.<sup>36</sup> The May 3, 2017 Order provided the parties to this matter an opportunity to cross-examine any of the other witnesses and, accordingly, directed the parties to the two cases to submit written notice on or before May 5, 2017, setting forth the name of each witness that party intended to cross-examine at the formal hearing.<sup>37</sup> The May 3, 2017 Order noted that in the absence of a notice identifying witnesses whose attendance was not required by the Commission,

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<sup>35</sup> See May 3, 2017 Order at 2.

<sup>36</sup> *Id.* at 3.

<sup>37</sup> *Id.*

the parties would be deemed to have waived cross-examination of those witnesses. None of the parties submitted a notice, and the only witnesses presented for cross-examination were those set forth above as named in the May 3, 2017 Order.

LG&E filed responses to post-hearing data requests on May 26, 2017, and on June 9, 2017. KSBA filed responses to post-hearing data requests on May 26, 2017. All the parties also filed post-hearing statements indicating they would not object to, or withdraw from, the First Stipulation regardless of whether all schools, including non-public schools, are included in the optional pilot program for schools as set forth in Article IV, paragraph 4.11 of the First Stipulation. On May 31, 2017, the AG, Sierra Club, MHC, ACM, Louisville Metro, Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC"), and Lexington-Fayette Urban County Government ("LFUCG")<sup>38</sup> filed a joint post-hearing brief in the instant matter and in the KU rate proceeding recommending approval of the Residential Basic Service Charge as set forth in the First Stipulation. On May 31, 2017, LG&E, KIUC, and Kroger filed their respective post-hearing briefs recommending approval of the First and Second Stipulations. On June 1, 2017, KSBA filed a separate post-hearing brief addressing the legality of the optional pilot school rate tariffs. LG&E and the AG filed their respective briefs on the pilot school tariff issue on June 2, 2017. KSBA and the AG contend that the school-related pilot tariffs do not violate KRS 278.035 because the proposed tariffs set forth a reasonable classification and would not be preferential, given the unique load characteristics and usage patterns of schools as compared to the other customers in their existing rate classes. The AG also pointed out that all public and private schools have similar load and usage

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<sup>38</sup> CAC and LFUCG are parties to the KU rate case, Case No. 2016-00370.

characteristics, making them a homogenous group, which made it reasonable to include in the pilot school tariff private schools that might wish to participate. The AG opined that “[a]s long as potential school participants to the pilot electric school tariffs are afforded equal opportunity to participate, the pilot electrical tariffs cannot be said to be ‘preferential’ within the meaning of KRS 278.035.”<sup>39</sup> Similarly, LG&E contends that the pilot school tariffs do not provide a publicly funded entity an entitlement to service under that rate, and because the pilot tariffs are a reasonable means of gathering data to determine whether such tariffs should be made generally available service offerings. KSBA, LG&E, and the AG all indicated that they did not object to modifying the First Stipulation to allow schools not covered by KRS 160.325, i.e., non-public schools, to participate in the pilot tariffs.

#### FIRST STIPULATION

The First Stipulation reflects the agreement of all of the parties to the two cases, with the exception of KCTA and AT&T, addressing all issues not related to pole attachments. A summary of the provisions contained in the First Stipulation is as follows:

- LG&E agrees to withdraw the CPCN request to implement the AMS project and will initiate an AMS collaborative involving the Companies and all interested parties to these proceedings to discuss any concerns about AMS.<sup>40</sup>
- LG&E will be issued a CPCN to implement the DA project.
- LG&E Electric revenue will increase by \$59.4 million and LG&E Gas revenue will increase by \$7.5 million.
- The stipulated level of revenue associated with the electric operations were adjusted by: 1) removal of AMS cost recovery; 2) reduction of Return on

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<sup>39</sup> AG’s Post-Hearing Brief Regarding School Board Pilot Tariff at 7–8.

<sup>40</sup> Because LG&E has agreed to withdraw its CPCN request to implement the AMS project, the company is also withdrawing its request to establish a regulatory asset for those electric meters that would have been retired as a result of the AMS project and the requests to deviate from certain regulations governing meter inspections and testing. See May 9, 2017 Hearing at 2:22:09.

Equity ("ROE") to 9.75 percent; 3) revised depreciation rates; 4) updated five-year average for uncollectible debt expense; 5) use of an eight-year average of generator outage expenses, based upon four-years' historical expenses and four-years' forecasted expenses; and 6) adjustment to construction work in progress capital slippage.

- The stipulated level of revenue associated with the LG&E gas operation was adjusted by: 1) removal of AMS cost recovery; 2) reduction of ROE to 9.75 percent; 3) revised depreciation rates; and 4) updated five-year average for uncollectible debt expense.
  - The agreed-to revenue allocations are set forth in Exhibits 5 and 6 of the First Stipulation.
  - The Basic Service Charge will increase to \$11.50 effective July 1, 2017, and to \$12.25 effective July 1, 2018, for LG&E Electric and KU Rates RS, VFD, RTOD-Energy and RTOD-Demand.
  - The Basic Service Charge for LG&E Gas Rates RGS and VFD will increase to \$16.35.
  - Current CSR customers may choose between Option A and Option B.
    - Option A reflects the Companies' as-filed proposition.
    - Option B reflects the following modifications to the existing CSR tariff:
      - credits for both Companies of \$6.00 per kVA-month (primary) and \$5.90 per kVA-month (transmission);
      - LG&E may request physical curtailment when more than ten of the utility's primary combustion turbines ("CTs") are being dispatched, irrespective of whether the utility is making off-system sales. A CSR customer may avoid a physical curtailment by buying through at the Automatic Buy-Through Price.
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- LG&E agrees to recover costs related to its proposed Transmission Modernization and Steel Service Line Replacement Programs through its GLT mechanism for five years ending June 30, 2022, after which time any remaining costs for such programs will be recovered through base rates.
  - LG&E agrees to revise its proposed Rate Substitute Gas Sales Service such that monthly billing demand will be based on the greatest of (1) Maximum Daily Quantity ("MDQ"); (2) current month's highest daily volume

of gas delivered; or (3) 70 percent of the highest daily volume of gas delivered during the previous 11 monthly billing periods.

- LG&E and KU agree to add a voluntary sports-field-lighting rate schedule, Pilot OSL – Outdoor Sports Lighting Service, on a pilot basis limited to 20 participants per company and will utilize a time-of-day rate structure.
- LG&E and KU agree not to split their residential and general service electric energy charges into Infrastructure and Variable components as proposed.
- LG&E and KU agree to file a study in their next rate cases regarding the impacts of 100 percent base demand ratchets for Rate TODS.
- For customers with their own generation, for 60 minutes following a utility-system fault, LG&E and KU agree to not use any demand data for a Rate TODP customer to set billing demand.
- LG&E and KU agree to add an optional pilot tariff for schools subject to KRS 160.325. LG&E's and KU's pilot rate provisions will be available to new participants until the total projected revenue reduction for each company is \$750,000 annually, compared to the projected annual revenues for the participating schools under the rates under which the schools would otherwise be served.
- LG&E and KU agree to file an application no later than December 31, 2017 proposing a two-year extension of the School Energy Managers Program (from July 1, 2018, through June 30, 2020) with a proposed total annual level of funding of \$725,000.
- LG&E and KU agree to fund a study concerning economical deployment of electric bus infrastructure in the Louisville and Lexington areas, as well as cost-based rate structures related to charging stations and other infrastructure needed for electric buses.
- LG&E and KU agree to establish an LED Lighting Collaborative involving Louisville Metro, LFUCG and any other interested parties to these proceedings.
- LG&E agrees to continue its monthly residential Home Energy Assistance ("HEA") charge at \$0.25 per month, which will remain effective until the effective date of new base rates for LG&E following its next general base rate case.

- LG&E and KU agree to commit to contribute a total of \$1.45 million of shareholder funds per year, which will remain in effect through June 30, 2021. These shareholder funds will be applied as follows:
  - From KU, \$100,000 for Wintercare and \$470,000 for HEA. CAC administers both programs. KU agrees that up to 10 percent of its total contributions to CAC may be used for reasonable administrative expenses.
  - From LG&E, \$700,000 to ACM for utility assistance and \$180,000 for HEA. LG&E agrees that up to 10 percent of its total contributions to ACM may be used for reasonable administrative expenses.

The First Stipulation results in the monthly bill of an average LG&E electric residential customer increasing by \$6.77, or 6.7 percent, and for an average residential gas customer by \$1.47, or 2.44 percent. A summary of the impact of the First Stipulation on LG&E's revenue requirements for its electric and gas operations are as follows.

- **Electric Operations.** The parties agreed in the First Stipulation to reduce LG&E Electric's requested revenue increase from \$94.1 million to \$59.4 million. The adjustments to LG&E Electric's requested revenue requirement are discussed further below.
  - A. **Advanced Metering System.** As previously discussed, LG&E requested that the Commission grant a CPCN to install AMS in its service territory. As part of the First Stipulation, the Companies agreed to withdraw their request for the CPCN and to establish a collaborative to discuss the parties' concerns and seek to address them. In the test year, the cumulative effect of the withdrawal of the CPCN on the revenue requirement of LG&E Electric is a reduction of \$5.2 million.
  - B. **Return on Equity.** The agreement to reduce the ROE to 9.75 percent results in a decrease to LG&E Electric's revenue requirement of \$10.1 million.
  - C. **Depreciation.** LG&E proposed to revise its depreciation rates based upon depreciation studies that were performed by John Spanos of the firm Gannett Fleming Valuation and Rate Consultants, LLC. The parties to the First Stipulation agreed to revise LG&E Electric's proposed depreciation rates,

resulting in a revenue-requirement reduction of \$10.1 million. The revised depreciation rates will also reduce LG&E Electric's environmental cost recovery revenue requirement by \$16.8 million. The impact will be included in the environmental cost recovery filing made for the July 2017 expense month.

- D. Uncollectibles Expense. LG&E Electric proposed to use uncollectible factors based on using a five-year average of write-offs to revenues for the period 2011 through 2015. The First Stipulation uses an updated five-year period, 2012 through 2016, to reduce LG&E Electric's revenue requirement by \$0.3 million.
  - E. Normalize Generation Outage. LG&E Electric proposed \$63.814 million in generation outage expense for the test year, which exceeded its five-year average of \$58.873 million. In the First Stipulation, the parties agreed to use an eight-year average expense, four years of historical expenses and four years of forecasted expenses. This approach reduces LG&E Electric's revenue requirement by \$8.5 million.
  - F. Construction Work In Progress Capital Slippage. The First Stipulation reflects a slippage factor to eliminate over estimation in construction budgeting. The slippage factor reduces LG&E Electric's requested revenue requirement by \$0.4 million.
- Gas Operations. LG&E Gas requested a revenue increase of \$13.4 million in its application, but the parties agreed to a reduced revenue increase of \$7.5 million in the First Stipulation. The First Stipulation adjustments to LG&E Gas's requested revenue requirement are discussed further below.
    - A. AMS. The withdrawal of LG&E's request for a CPCN to install AMS reduces LG&E Gas's revenue requirement by \$0.7 million.
    - B. Return on Equity. The parties to the First Stipulation agreed to a ROE of 9.75 percent resulting in a decrease to LG&E Gas's revenue requirement of \$2.9 million.
    - C. Depreciation. The revised depreciation rates in the First Stipulation reduces LG&E Gas's revenue requirement by \$2.9 million.

D. Uncollectibles Expense. The updated write-off period used in the First Stipulation reduces LG&E Gas's revenue requirement by \$0.1 million.

- **First Stipulation Summary**. The table below reflects the impact each First Stipulation adjustment has on LG&E Electric and LG&E Gas.

	<u>LG&amp;E Electric</u>	<u>LG&amp;E Gas</u>
Proposed Revenue Requirement	\$ 94.1 million	\$ 13.4 million
Remove AMS	(5.2) million	(0.7) million
9.75% Return on Equity	(10.1) million	(2.9) million
Revised Depreciation Rates	(10.1) million	(2.1) million
KU Refined Coal Revenues	million	million
Uncollectible Expense	(0.3) million	(0.1) million
Generator Outage Expenses	(8.5) million	million
CWIP Capital Slippage	(0.4) million	million
Stipulated Revenue Requirements	<u>\$ 59.4 million</u>	<u>\$ 7.5 million</u>

### SECOND STIPULATION

The Second Stipulation reflects the agreement of LG&E, AT&T, and KCTA as to the terms and conditions of LG&E's pole and structure attachment charges contained in Tariff PSA. The major substantive areas addressed in the Second Stipulation are as follows:

- Agreement on LG&E's attachment charges for pole-top wireless facilities;<sup>41</sup>
- Agreement on LG&E's attachment charges for mid-pole wireless facilities;<sup>42</sup>
- Amendment of the terms and conditions set forth in LG&E's proposed Tariff PSA rate schedule.<sup>43</sup>

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<sup>41</sup> Second Stipulation, ¶ 1.2.

<sup>42</sup> *Id.* at ¶ 1.3.

<sup>43</sup> *Id.* at ¶ 1.4.

## ANALYSIS AND FINDINGS

The Commission's statutory obligation when reviewing a rate application is to determine whether the proposed rates are "fair, just, and reasonable."<sup>44</sup> While numerous intervenors with significant experience in rate proceedings and collectively representing a diverse range of customer interests have participated in this case, the Commission cannot defer to the parties as to what constitutes fair, just, and reasonable rates. The Commission must review the record, including the two stipulations, and apply its expertise to make an independent decision as to the level of rates, including terms and conditions of service, that should be approved.

To satisfy its statutory obligation in this case, the Commission has performed its traditional ratemaking analysis, which consists of reviewing the reasonableness of each revenue and expense adjustment proposed or justified by the record, along with a determination of a fair ROE.

### FIRST STIPULATION

Based upon its review of the First Stipulation, the attachments thereto, and the case record including intervenor testimony, the Commission finds that, with the modifications discussed below, the First Stipulation is reasonable and in the public interest. With those modifications, the Commission finds that the First Stipulation was the product of arm's-length negotiations among knowledgeable, capable parties and should be approved. Such approval is based solely on the reasonableness of the modified First Stipulation and does not constitute a precedent on any individual issue.

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<sup>44</sup> KRS 278.030(1).

## Employee Retirement Plans

LG&E maintains a Defined Dollar Benefit Retirement Plan for those employees hired prior to January 1, 2006 ("Pre 2006 DDB Plan").<sup>45</sup> This plan was closed to new participants and was replaced with a Retirement Income Account ("401(k) Plan") for those employees hired after January 1, 2006.<sup>46</sup> All employees that were hired prior to January 1, 2006, are eligible to participate in both the Pre 2006 DDB Plan and the 401(k) Plan.<sup>47</sup> LG&E contributes 100 percent of the Pre 2006 DDB Plan costs.<sup>48</sup> LG&E also contributes to the 401(k) Plan between 3 percent to 7 percent<sup>49</sup> of eligible employee compensation and a \$0.70 per dollar match for employee contributions up to 6 percent of the employee's eligible contribution.<sup>50</sup>

The Commission finds that, for ratemaking purposes, it is not reasonable to include both LG&E Pre 2006 DDB Plan contributions and LG&E's matching contributions to the 401(k) Plan for the following employee categories: exempt, manager, non-exempt, and officer and director personnel. The Commission chooses not to address similar 401(k) Plan company matching contributions for hourly and bargaining unit employees in

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<sup>45</sup> See LG&E's response to Commission Staff's Fourth Request for Information ("Staff's Fourth Request"), Item 6.

<sup>46</sup> Refer to LG&E's response to Commission Staff's First Post-Hearing Request for Information dated May 12, 2017, Item 11. Although throughout this proceeding, LG&E made references to two separate post-2016 retirement plans, the Retirement Income Account and the 401(k) Savings Plan, they are actually the same plan.

<sup>47</sup> *Id.*

<sup>48</sup> Response to Staff's Fourth Request, Item 6.

<sup>49</sup> The percentage contribution rate depends on the employee's years of service as of January 1 of that year.

<sup>50</sup> Response to Staff's Fourth Request, Item 6.

this proceeding, as it is not within the Commission's authority to negotiate or modify bargaining agreements. The Commission will not make a distinction between represented and non-represented hourly groups at this time, but will instead provide an opportunity for LG&E to address these excessive costs for both employee classes prior to its next base rate case as rate recovery of these contributions will be evaluated for appropriateness as part of its next base rate case. Employees participating in the Pre 2006 DDB Plan enjoy generous retirement plan benefits, making the matching 401(k) Plan amounts excessive for ratemaking purposes. Accordingly, the Commission denies for recovery 401(k) Plan matching contributions in the amount of \$1,246,499 before gross-up for LG&E's electric operations and \$407,808 before gross-up for LG&E's gas operations.

#### Return on Equity

In its application, LG&E developed its ROE using the discounted cash flow method ("DCF"), the capital asset pricing model ("CAPM"), the empirical capital asset pricing model ("ECAPM"), the utility risk premium ("RP"), and the expected earnings approach.<sup>51</sup> Based on the results of the methods employed in its analysis, LG&E recommended an ROE range for its electric operations of 9.63 percent to 10.83 percent, including flotation cost.<sup>52</sup> LG&E recommended awarding the midpoint of this range, 10.23 percent, to maintain financial integrity, support additional capital investment and recognize flotation costs.<sup>53</sup> Direct testimony regarding ROE was provided by the AG, DOD/FEA, KIUC, and

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<sup>51</sup> Direct Testimony of Adrien M. McKenzie, CFA ("McKenzie Direct Testimony") at 2.

<sup>52</sup> *Id.*, Exhibit No. 2, page 1 of 1.

<sup>53</sup> *Id.* at 5-6.

Louisville Metro and was subject to discovery by the Commission Staff and all parties.<sup>54</sup> Per paragraphs 2.2(B) and 3.2(B) of the First Stipulation, LG&E and the intervenors agreed that a ROE of 9.75 percent is reasonable for LG&E's electric and gas operations.<sup>55</sup> The following table presents the recommended ROEs from LG&E and the intervenors and the methods used to support each parties' findings:

<u>Party</u>	<u>Recommendation</u>	<u>Methods</u>
LG&E	10.23%	DCF, CAPM, ECAPM, RP
AG <sup>56</sup>	8.75% (electric) 8.70% (gas)	DCF, CAPM
DOD <sup>57</sup>	9.35%	DCF, CAPM, RP
KIUC <sup>58</sup>	9.0%	DCF, CAPM
Louisville Metro <sup>59</sup>	8.75 % (electric) 8.70% (gas)	DCF, CAPM
<b>FIRST STIPULATION</b>	<b>9.75%</b>	

In the First Stipulation, all parties agreed that the revenue requirement increases for LG&E's electric and gas operations will reflect a 9.75 percent ROE as applied to LG&E's capitalization and capital structure of the proposed electric and gas revenue requirement increases as modified through discovery. As a result, use of a 9.75 percent ROE reduced LG&E's proposed electric and gas revenue requirement increases by \$10.1 million and \$2.9 million, respectively.<sup>60</sup> For the reasons discussed below, the Commission finds a ROE of 9.75 percent to be unreasonable and higher than required by investors in

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<sup>54</sup> Walmart did not provide an ROE analysis, but pointed out that LG&E's proposed ROE was higher than natural trends and that average ROE awards of vertically integrated utilities in 2015 and 2016 was 9.76 percent.

<sup>55</sup> First Stipulation, at 5 and 9.

<sup>56</sup> AG Direct Testimony of Dr. J. Randall Woolridge, at 67.

<sup>57</sup> DOD Direct Testimony of Christopher C. Walters, at 60.

<sup>58</sup> KIUC Direct Testimony of Richard Baudino, at 28.

<sup>59</sup> Louisville Metro Direct Testimony of J. Randall Woolridge, PhD, at 4.

<sup>60</sup> First Stipulation at 5.

today's economic climate, and that this provision of the First Stipulation should be modified.

While the Commission does not rely on individual returns awarded in other states in determining the appropriate ROE for Kentucky jurisdictional utilities, the Commission does find it reasonable to expect that other state commissions, each with its own attributes, evaluate expert witness testimony which uses the same or similar cost-of-equity models as those presented by the parties participating in this rate proceeding, and reach conclusions based on the data provided in the records of individual cases. The Regulatory Research Associates ("RRA") reports introduced into the record of this proceeding<sup>61</sup> summarize the conclusions reached by state utility regulatory commissions, including this Commission, with regard to reasonable ROEs and contain explanatory reference points as to individual circumstances, all of which are available to investors. To the extent that investors' expectations are influenced by such publications, and we believe they are, we also find it appropriate to use that information to put their expectations in context. In fact, in LG&E's rebuttal testimony, LG&E agreed that allowed ROEs by other state commissions provide a general gauge of reasonableness for the outcome of a cost-of-equity analysis.<sup>62</sup>

The Commission takes notes of the fact that average annual ROE awards by state public service commissions for the last two years have ranged from 9.23 percent to 10.55 percent.<sup>63</sup> Furthermore, the average authorized ROEs reported by RRA for the fourth

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<sup>61</sup> See Rebuttal Testimony of Adrien M. McKenzie, CFA at 11.

<sup>62</sup> *Id.* at 10.

<sup>63</sup> *Id.*, Exhibit 12.

quarter of 2016 was 9.6 percent.<sup>64</sup> Authorized ROE data reported to investors by The Value Line Investment Survey for the specific firms in LG&E's proxy group indicates that state-allowed ROEs for those utilities were in a range of reasonableness of 9.00 to 12.50 percent.<sup>65</sup>

In 2017, the economic environment has shown signs of relative improvement. In response to increased economic growth and low unemployment, the Federal Reserve increased interest rates in March and June 2017, and current outlooks, including comments from government agencies, show that investors anticipate additional interest rate increases.<sup>66</sup> LG&E's own model produces an ROE, less flotation costs and adjustments, in the range of 9.5–10.7 percent.<sup>67</sup> Even with the current uptick in economic conditions, the economy remains in an era of historically low interest rates and slow economic growth. Therefore, irrespective of the agreement by the parties that a 9.75 percent ROE is appropriate for LG&E, the Commission finds that a slightly lower ROE is a better reflection of current economic conditions and investor expectations. Based on the entire record developed in this proceeding, we find that LG&E's required ROE falls within a range of 9.20 percent to 10.20 percent, with a midpoint of 9.70 percent. An ROE of 9.70 should be used for the purpose of base rate revenues and certain tariffs, as discussed later in this Order.

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<sup>64</sup> *Id.*, at 13.

<sup>65</sup> *Id.*, Exhibit 13.

<sup>66</sup> *Id.*, at 8.

<sup>67</sup> McKenzie Direct Testimony, Exhibit No. 2.

This reduction to the ROE from 9.75 percent to 9.70 percent reduces LG&E's net operating income before income taxes by \$641,522 for LG&E's electric operations and by \$187,156 for its gas operations.

Revenue Requirement

As discussed above, the Commission finds the First Stipulation to be reasonable only by eliminating LG&E's 401(k) Plan contributions for the following employee categories: exempt, manager, non-exempt and officer and director personnel, and by reducing the ROE from 9.75 percent to 9.70 percent. These modifications decrease the stipulated revenue requirement for LG&E's electric operations from \$59,400,000 to \$56,302,875, a decrease of \$3,097,125. The stipulated revenue requirement for LG&E's gas operations are reduced from \$7,500,000 to \$6,524,016, a decrease of \$975,984. The impact the modifications have on LG&E's stipulated revenue requirements are shown in the table below.

	LG&E	
	Electric	Gas
LG&E's 401(k) Plan ROE from 9.75% to 9.7%	\$ (1,246,499) (641,522)	\$ (407,808) (187,156)
Impact to Net Operating Income Before Taxes Multiplied by: Gross up Factor	(1,888,021) 1.640408	(594,964) 1.640408
Revenue Requirement Impact Increase per Stipulation	(3,097,125) 59,400,000	(975,984) 7,500,000
Net Increase Granted by the Commission	<u>\$ 56,302,875</u>	<u>\$ 6,524,016</u>

### Residential Basic Service Charge

The Commission believes an increase to the Residential Basic Service Charge is warranted, and we find the level of the Year 2 charge to be reasonable. We further find that the two-step increase to \$11.50 in Year 1 and to \$12.25 in Year 2 is unnecessary. The total increase in the Residential Basic Service Charge of \$1.50 is a modest increase from the current level, and the Commission sees no reason to complicate the issue by using a two-step method, which could generate confusion among LG&E's residential customers. The First Stipulation is therefore modified with respect to the Residential Basic Service Charge, and the Year 2 charge of \$12.25 should be approved for service rendered on and after July 1, 2017.

### Optional Pilot Rates for Schools Subject to KRS 160.325

At the formal hearing in this matter, the parties were requested to file post-hearing briefs concerning the legality of the proposed school-related pilot rate tariffs, Rates SPS and STOD, with respect to the applicability of KRS 278.035, and to indicate whether they would object to the modification of the First Stipulation to include schools not covered by KRS 160.325. Briefs submitted by KSBA, LG&E, and the AG acknowledged that the inclusion of non-public schools in the pilot tariffs would avoid a possible violation of KRS 278.035. All parties to this proceeding submitted statements indicating that they had no objection to modification of the First Stipulation to include non-public schools in the pilots.

The Commission finds that the First Stipulation should be modified to include schools not covered by KRS 160.325. The inclusion of non-public schools would rectify any potential conflict with KRS 278.035 and would remove any element of preferential treatment of public schools that could be associated with the pilot tariffs. As previously

stated, the pilot rate provisions will be available to new participants until the total projected revenue reduction is \$750,000 annually for LG&E, compared to the projected annual revenues for the participating schools under the rates under which the schools would otherwise be served. The Commission notes that the parties to this proceeding agreed that the other ratepayers would assume the revenue shortfall resulting from the lower rates set forth in the pilot school tariffs. Therefore, the Commission will place a limit on the amount of time the pilot tariffs will be in effect and finds that the pilot tariffs should be effective for three years, or until LG&E files its next rate case, whichever is earlier. In the event that new base rates are not in effect by July 1, 2020, schools participating in the pilot tariffs should be returned to the tariffs under which they were formerly served. In addition, the Commission finds that LG&E should create a regulatory liability to record the difference between what the schools served under the pilot tariffs would have been billed under the pilot tariffs subsequent to July 1, 2020, and the amounts they are billed under the tariffs to which they are returned. The regulatory liability will be addressed in LG&E's next base rate proceeding. We further find that, within 30 days of the date of this Order, KSBA should file with the Commission the process by which KSBA will notify and select those schools, both public and non-public, that would be eligible to participate in the pilot tariffs.

With regard to the data gathered from the schools participating in the pilot tariffs, the Commission finds that LG&E should file reports with the Commission, beginning six months from the date of this Order and every six months thereafter, which set out details concerning monthly load information, individually and in the aggregate, and indicating preliminary findings as conclusions regarding the schools' load characteristics are

reached. In the event that a future proposal is made either to extend the pilot school tariffs or to make them permanent, this load information will be used to determine whether the schools' load characteristics justify a special rate classification.

#### Collaborative Study Regarding Electric Buses

Although this provision will be funded by shareholder contributions and the Commission does not oppose it, this type of provision pertaining to an unrelated business transaction should be negotiated separately between the individual parties and has no bearing on LG&E's rates as found reasonable herein based on the record of this case. It is therefore superfluous to this regulatory proceeding, contributes nothing to the reasonableness of the First Stipulation, and should be omitted from future ratemaking proceedings.

#### LED Lighting and Electric Bus Study Collaboratives

Pursuant to the provisions of the First Stipulation, LG&E commits to engage in good faith with Louisville Metro, LFUCG, and any other interested parties to this proceeding and the KU rate proceeding in a collaborative to discuss issues related to LED lighting and electric bus infrastructure and rates. While the provisions limit participation to only those parties to the instant rate proceeding and the KU rate proceeding, the Commission finds that the collaboratives should also include the Kentucky Department of Energy Development and Independence, whose mission includes creating efficient, sustainable energy solutions and strategies.

#### Tariff Issues

Sheet No. 97 of LG&E's revised Electric tariff, which was filed with the First Stipulation, the Application for Service section, first paragraph, contained revisions that

were not made to the corresponding Application for Service section on Sheet No. 97 of LG&E's Gas tariff. In response to a Commission Staff Request for Information, LG&E had stated that, due to an oversight, it failed to propose the same changes to both tariffs. The Commission finds that LG&E's compliance tariffs that it is directed to file in ordering paragraph 16 should include the same revisions to the Application for Service sections for both its Electric and Gas tariffs.

LG&E proposed a change to its Gas Supply Clause ("GSC") adjustment on six current rate schedules and one proposed rate schedule of its Gas tariff, to remove the GSC rate from each of the rate schedules that would have to change on a quarterly basis when the GSC is revised. LG&E stated that, should the Commission desire this information and require it at the conclusion of this proceeding, it would comply.<sup>68</sup> With respect to the continued inclusion of the GSC rate on its rate schedules, the Commission finds that it is reasonable for LG&E's customers to be able to find the total delivered commodity rate for sales gas on their respective tariff rate schedules, and that the compliance Gas tariff that LG&E is directed to file in ordering paragraph 16 should include no change to the location of the GSC rate on its gas sales rate schedules.

#### Gas Line Tracker Rate Calculation

Exhibit RMC-1 filed with the Stipulation Testimony of Robert Conroy is an Excel spreadsheet that calculates updated GLT rates. The "ROR" tab includes a Return on Equity component of 10 percent instead of the 9.75 percent included in the Settlement Agreement. In response to a Post-Hearing Request for Information, LG&E provided a

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<sup>68</sup> LG&E's Response to Commission Staff's Third Request for Information, Item 32. This statement was reiterated by witness Robert Conroy at the May 9, 2017 hearing in this matter.

revised sheet showing the impact of using the 9.75 percent ROE in the capital structure. In light of the 9.70 percent ROE found reasonable herein, the Commission finds that the GLT rates should be further revised as set out in Appendix B to this Order to reflect the approved ROE. The Commission further finds that the 9.70 ROE should be used in LG&E's future adjustment of its GLT rates until a new ROE is approved or until the expiration of the GLT, whichever comes first.

### SECOND STIPULATION

As mentioned previously, LG&E proposed certain changes to its pole attachment tariff in its application. LG&E currently offers the use of spaces on its poles for cable television attachments under Tariff CTAC, Cable Television Attachment Charges ("Tariff CTAC"). LG&E proposed to rename Tariff CTAC to Tariff PSA, Pole and Structure Attachment Charges ("Tariff PSA"), and to expand the tariff to include telecommunications wireline and wireless facilities' attachments, which are not currently covered under Tariff CTAC. LG&E also proposed to modify the rates, terms, and conditions of service for attaching wireline and wireless facilities to its poles.

The Second Stipulation includes the modifications proposed in the application, but also includes additional changes in the rates for pole space use and conditions of service for the placement of an attachment on LG&E's poles. As originally proposed, the Tariff PSA's rate schedule contained three charges: 1) an annual charge of \$7.25 for each wireline pole attachment; 2) an annual charge of \$0.81 for each linear foot of duct; and 3) an annual charge of \$84.00 for each wireless facility attachment. AT&T and KCTA did not object to the charge for wireline and duct attachments, but did object to the annual charge for wireless facility attachments. LG&E estimated that wireless facilities occupy

an average of 11.5 feet on its poles, and calculated the \$84.00 wireless facility attachment charge based on the use of 11.5 feet of pole space at \$7.25<sup>69</sup> per foot of pole. AT&T and KCTA did not challenge the \$7.25 per foot factor in the calculation, but argued that wireless facility attachments occupy far less pole space. The Second Stipulation provides for a charge of \$36.25, based upon a wireless facility attached to the top of a pole using five feet of the pole – one foot for the antenna and four feet of clearance above the power space to maintain a safe working distance between the electric facilities on the pole and the pole top antenna. The Second Stipulation also provides for rates for wireless facilities located mid-pole to be established on a case-by-case basis through special contracts. This provision is based upon the lack of requests for mid-pole wireless facilities, which resulted in a lack of evidence upon which to base a uniform rate for mid-pole wireless facilities.

Another modification is the requirement for a pole-loading study. As originally proposed, Tariff PSA required that a pole-loading study be submitted with each application as a safety and reliability measure. KCTA argued that requiring pole-loading studies for every application provides no appreciable safety or reliability benefit to LG&E, while unnecessarily increasing construction costs and preventing timely deployment of wireless facilities. The Second Stipulation provides that an attachment applicant may attach a pole-load study to the application or, in the alternative, assert that a pole's condition does not warrant the need for a pole-loading study. To confirm the assertion, LG&E may perform a visual inspection of the pole to which the facility is proposed to be

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<sup>69</sup> The Commission approved the rate of \$7.25 per foot in Case No. 2014-00371, *Application of Kentucky Utilities Company for an Adjustment of Its Electric and Rates* (Ky. PSC June 30, 2015).

attached. If LG&E determines that a pole-loading study is needed, the attachment applicant has the option of conducting the pole-loading study itself or requesting that LG&E perform the study. The attachment applicant is responsible for the costs of any visual inspection or pole-loading study that LG&E performs. LG&E contends that the proposed revision to Tariff PSA does not sacrifice safety or system reliability.

The Commission finds that the proposed Tariff PSA with the modifications agreed to in the Second Stipulation is reasonable and that the Second Stipulation should be approved in its entirety.

### OTHER ISSUES

#### Rate Adjustment

In setting the rates shown in Appendix B, the Commission maintained the basic service charges for each class that were included in the First Stipulation, with the exception that the Year 1 Residential Basic Service Charge was not approved as previously discussed, and is therefore not included. The reduction in LG&E's stipulated revenue increase as found reasonable herein was allocated solely to the electric energy charges and gas volumetric charges of those customer classes for which revenue increases were proposed in the First Stipulation. The reduction to each class's proposed revenue increase was approximately in proportion to the increase set forth in the First Stipulation.

#### Electric Vehicle Supply Equipment Calculation

In response to a Post-Hearing Request for Information, LG&E provided a revised sheet showing the impact on the Electric Vehicle Supply Equipment ("EVSE"), Electric Vehicle Charging Service ("EVC"), and Electric Vehicle Supply Equipment ("EVSE-R")

rates of using the 9.75 percent ROE in the capital structure. In light of the 9.70 percent ROE found reasonable herein, the Commission finds that the EVSE rates should be further revised to reflect the approved ROE. The Commission also finds that since the EVSE, EVC, and EVSE-R rates are based, in part, on the General Service ("GS") energy rate, the rates should be updated for the change in the GS energy rate approved with this Order. The EVSE, EVC, and EVSE-R rates set out in Appendix B to this Order reflect both revisions.

#### Solar Capacity Charge and Solar Energy Credits

In response to a Post-Hearing Request for Information, LG&E provided a revised sheet showing the impact on the Solar Capacity Charge and Solar Energy Credits of using the 9.75 percent ROE in the capital structure and under each of the corrected cost-of-service studies filed by LG&E in this proceeding. In light of the 9.70 percent ROE found reasonable herein, the Commission finds that the Solar Capacity Charge and Solar Energy Credits should be further revised to reflect the approved ROE. The Commission also finds that the Solar Energy Credits should be revised for Rate Schedules RS, VFD, RTOD-E, RTOD-D, and GS using the average of the amounts provided in response to the post-hearing information request,<sup>70</sup> but revised for the change in ROE and using the energy rates approved herein for Rate Schedules PS, TODS, and TODP. The rates set out in Appendix B to this Order reflect the revisions.

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<sup>70</sup> Response to Commission Staff's First Post-Hearing Request for Information dated May 12, 2017, Item 6, Attachment LG&E-6-1 and Attachment LG&E-6-2.

### Demand-Side Management ("DSM")

In response to a Commission Staff Information Request, LG&E stated that upon the implementation of new base rates, the DSM Revenue from Lost Sales component of its DSM cost-recovery mechanism would change to zero.<sup>71</sup> The Commission finds that LG&E compliance tariff that it is directed to file in ordering paragraph 16 should reflect this revision to its DSM cost-recovery mechanism.

### Transmission System Improvement Plan

LG&E is currently implementing a Transmission System Improvement Plan ("Transmission Plan") aimed at reducing outage occurrence and duration and improving overall reliability of service to its customers.<sup>72</sup> LG&E states that the Transmission Plan contains two primary categories of investment: system integrity and reliability.<sup>73</sup> System integrity involves replacement of aging transmission assets to enhance reliability.<sup>74</sup> The reliability component involves several maintenance programs and capital investment in line sectionalization.<sup>75</sup> LG&E will spend approximately \$28 million between the end of the last base-rate-case test period and the end of the forecasted test period (July 1, 2016 –June 30, 2018) on its Transmission Plan.<sup>76</sup> This spending is part of a total of \$511 million

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<sup>71</sup> LG&E's response to Commission Staff's Second Request for Information, Item 11.

<sup>72</sup> Direct Testimony of Paul W. Thompson ("Thompson Testimony") at 25.

<sup>73</sup> *Id.* at 26.

<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> *Id.* at 27.

in transmission capital investments that LG&E and KU project to spend over the five-year period beginning 2017.<sup>77</sup>

In light of the significant investments that LG&E intends to make pursuant to the Transmission Plan, the Commission will require LG&E to file annual reports, over the five-year Transmission Plan period, detailing the progress on the spend out for the reporting period, the criteria utilized by LG&E to prioritize the various transmission projects, the impact on reliability or other benefits to LG&E's customers resulting from such investments, and outlining the expenditures for the following year.

#### Bullitt County Pipeline CPCN

LG&E included in its application information concerning its plans to construct a new natural gas pipeline in Bullitt County. The new 12-inch pipeline is to be approximately 10–12 miles long and is intended to improve reliability by mitigating the exposure of approximately 9,500 customers to a loss of gas supply from a current one-way feed. Additionally, the new pipeline is intended to allow LG&E to serve growth in Bullitt County by providing additional gas supply to existing gas infrastructure in those areas. LG&E plans to commence this project in 2017, with a targeted completion in early 2019. LG&E states that preliminary cost estimates for the project total approximately \$27.6 million.

LG&E did not request a CPCN for the project, stating that it considers it to be an ordinary extension of its existing gas system in the usual course of business, and that a CPCN therefore is not required under KRS 278.020(1) or 807 KAR 5:001 Section 15. In its post-hearing brief, LG&E reiterated its position that the construction qualifies as an ordinary extension of its system in the usual course of business and requested that the

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<sup>77</sup> *Id.*, 26–27.

Commission determine that no CPCN is required. In the alternative, LG&E pointed out that it had provided all the information necessary to support the award of a CPCN, and requested that the Commission grant it the CPCN authority to carry out the construction of the Bullitt County pipeline.<sup>78</sup> Due to the size of the project, and the fact that Duke Energy Kentucky, Inc. requested and was granted a CPCN by the Commission for similar construction in Case No. 2016-00168,<sup>79</sup> the Commission finds that the construction should be the subject of a CPCN finding.

#### LEGAL STANDARD

KRS 278.020(1) provides, in relevant part, that:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any services enumerated in KRS 278.010 . . . and ordinary extensions of existing systems in the usual course of business, until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction.

807 KAR 5:001, Section 15(2), provides in part:

New construction or extension. Upon application for a certificate that the present or future public convenience or necessity requires, or will require, the construction or extension of any plant, equipment, property, or facility, the applicant, in addition to complying with Section 14 of this administrative regulation, shall submit with its application:

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<sup>78</sup> LG&E May 31, 2017 Post Hearing Brief at 37.

<sup>79</sup> Case No. 2016-00168, *Application of Duke Energy Kentucky, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Construction of a Gas Pipeline from Walton, Kentucky to Big Bone, Kentucky* (Ky. PSC Nov. 28, 2016).

(a) The facts relied upon to show that the proposed construction or extension is or will be required by public convenience or necessity.

To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.<sup>80</sup>

"Need" requires:

[a] showing of a substantial inadequacy of existing service involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed and operated.

...

The inadequacy must be due either to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business; or to indifference, poor management or disregard of the rights of consumers, persisting over such a period of time as to establish an inability or unwillingness to render adequate service.<sup>81</sup>

"Wasteful duplication" is defined as "an excess of capacity over need" and "an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of physical properties."<sup>82</sup> To demonstrate that a proposed facility does not result in wasteful duplication, we have held that the applicant must demonstrate that a thorough review of all alternatives has been performed.<sup>83</sup> Selection of a proposal that

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<sup>80</sup> Kentucky Utilities Co. v. Pub. Serv. Comm'n, 252 S.W.2d 885 (Ky. 1952).

<sup>81</sup> *Id.* at 890.

<sup>82</sup> *Id.*

<sup>83</sup> Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005).

ultimately costs more than an alternative does not necessarily result in wasteful duplication.<sup>84</sup>

In reviewing the record, the Commission finds that LG&E's construction of the Bullitt County pipeline would not be a wasteful duplication of any existing facilities and is necessary in order for LG&E to accommodate current and expected system requirements for safe and reliable natural gas service. Based upon the record as developed through discovery and being otherwise sufficiently advised, the Commission finds that a CPCN for construction of the pipeline should be approved, and that, no later than 90 days after the completion of the project, LG&E should file with the Commission a statement of the actual costs of the construction. Prior to incurring any long-term financing related to this project, pursuant to KRS 278.300, LG&E is required to seek Commission approval.

#### LG&E Tariffs

Commission regulation 807 KAR 5:011, Section 4(1), requires each utility to include an accurate index of the city, town, village, or district in which its rates are applicable. The first page of LG&E's electric tariffs reference its service as being available "[i]n the nine counties of the Louisville, Kentucky metropolitan area as depicted on territorial maps as filed with the Public service Commission of Kentucky." The first page of LG&E's gas tariffs reference its service being available "[i]n the seventeen counties of the Louisville, Kentucky metropolitan area as depicted on territorial maps as filed with the Public service Commission of Kentucky." Since those maps are not readily available to

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<sup>84</sup> See *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 390 S.W.2d, 175 (Ky. 1965). See also Case No. 2005-00089, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity to Construct a 138 kV Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005).

members of the public, LG&E should revise its tariffs to include a list of the communities in which it serves.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by LG&E are denied.
2. LG&E's motions for leave to file the First and Second Stipulations are granted.
3. The First and Second Stipulations, attached hereto as Appendix A, (without exhibits) are approved with the modifications discussed herein.
4. The rates and charges in Appendix B, attached hereto, are fair, just, and reasonable for LG&E to charge for service rendered on and after July 1, 2017.
5. LG&E is granted a CPCN to implement the DA project as described in the application.
6. Within 30 days of the date of this Order, KSBA shall file with the Commission the process by which it will notify and select those schools that are eligible to participate in the pilot tariffs approved herein.
7. LG&E shall file reports with the Commission as directed herein which set out details concerning the pilot school tariffs study.
8. Beginning June 1, 2018, and continuing over the five-year Transmission Plan period, LG&E shall file an annual Transmission Plan report as discussed herein.
9. LG&E is granted a CPCN for the construction of the Bullitt County natural gas pipeline as described in the application and further described in response to discovery.

10. LG&E shall provide copies of any permits related to the Bullitt County pipeline within ten days of obtaining each permit or approval.

11. LG&E shall, no later than 90 days after the completion of the Bullitt County pipeline, file with the Commission a statement of the actual costs of the construction.

12. LG&E shall file a copy of the "as-built" drawings and a certified statement from the engineer that the Bullitt County pipeline construction has been satisfactorily completed in accordance with the plans and specifications within 60 days of substantial completion of the construction certified herein.

13. LG&E shall require the Bullitt County pipeline construction to be inspected under the general supervision of a professional engineer licensed to practice in the Commonwealth of Kentucky in civil or mechanical engineering to ensure that the construction work is done in accordance with the drawings and specifications and in conformity with the best practices of the construction trades involved in the project.

14. LG&E shall notify the Commission one week prior to the actual start of the Bullitt County pipeline construction and at the 50 percent completion point.

15. LG&E shall not incur any long-term indebtedness associated with the Bullitt County pipeline without applying to the Commission for approval pursuant to KRS 278.300.

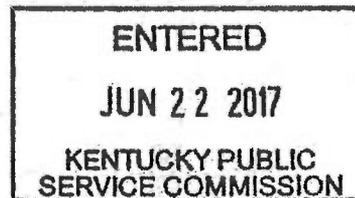
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16. Within 20 days of the date of this Order, LG&E shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariffs, including an index of communities served, as set forth in this Order reflecting that they were approved pursuant to this Order.

17. Any document filed pursuant to ordering paragraphs 6, 7, 8, 10, 11, 12, and 14 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

18. The Executive Director is delegated authority to grant reasonable extension of time for the filing of any documents required by ordering paragraphs 6, 7, 8, 10, 11, 12, and 14 of this Order upon LG&E's showing of good cause for such extension.

By the Commission



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2016-00371 DATED JUN 22 2017

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## STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation ("Stipulation") is entered into this 19th day of April 2017 by and between Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "the Utilities"); Association of Community Ministries, Inc. ("ACM"); Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention ("AG"); Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. ("CAC"); United States Department of Defense and All Other Federal Executive Agencies ("DoD"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Kentucky League of Cities ("KLC"); The Kroger Company ("Kroger"); Kentucky School Boards Association ("KSBA"); Lexington-Fayette Urban County Government ("LFUCG"); Louisville/Jefferson County Metro Government ("Louisville Metro"); Metropolitan Housing Coalition ("MHC"); Sierra Club, Alice Howell, Carl Vogel and Amy Waters (collectively "Sierra Club"); JBS Swift & Co. ("Swift"); and Wal-Mart Stores East, LP and Sam's East, Inc. (collectively "Wal-Mart"). (Collectively, the Utilities, ACM, AG, CAC, DoD, KIUC, KLC, Kroger, KSBA, LFUCG, Louisville Metro, MHC, Sierra Club, Swift and Wal-Mart are the "Parties.")

### WITNESSETH:

WHEREAS, on November 23, 2016, KU filed with the Kentucky Public Service Commission ("Commission") its Application for Authority to Adjust Electric Rates and For Certificates of Public Convenience and Necessity, *In the Matter of: An Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and For Certificates of Public Convenience and Necessity*, and the Commission has established Case No. 2016-00370 to review KU's base rate application, in which KU requested a revenue increase of \$103.1 million;

**WHEREAS**, on November 23, 2016, LG&E filed with the Commission its Application for Authority to Adjust Electric and Gas Rates and For Certificates of Public Convenience and Necessity, *In the Matter of: An Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and For Certificates of Public Convenience and Necessity*, and the Commission has established Case No. 2016-00371 to review LG&E's base rate application, in which LG&E requested a revenue increase for its electric operations of \$93.6 million and a revenue increase of \$13.8 million for its gas operations (Case Nos. 2016-00370 and 2016-00371 are hereafter collectively referenced as the "Rate Proceedings");

**WHEREAS**, on February 20, 2017, LG&E filed with the Commission in Case No. 2016-00371 a Supplemental Response to Commission Staff's First Request for Information No. 54 in which LG&E corrected its requested revenue increases for its electric operations to be \$94.1 million and for its gas operations to be \$13.4 million;

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00370 to the AG, BellSouth Telecommunications, LLC d/b/a AT&T Kentucky ("AT&T"), CAC, Kentucky Cable Telecommunications Association ("KCTA"), KIUC, KLC, Kroger, KSBA, LFUCG, Sierra Club, and Wal-Mart;

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00371 to ACM, AG, AT&T, DoD, KCTA, KIUC, Kroger, KSBA, Louisville Metro, MHC, Sierra Club, Swift and Wal-Mart;

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**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement and the text of this Stipulation, attended by representatives of the Parties and the Commission Staff, took place on April 12, 13, and 17, 2017, at the offices of the Commission, which representatives of AT&T and KCTA also attended on April 12 and 13, and which representatives

of KCTA also attended on April 17, and during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Rate Proceedings;

**WHEREAS**, the Parties hereto unanimously desire to settle all the issues pending before the Commission in the Rate Proceedings, notwithstanding that neither AT&T nor KCTA has agreed with, or entered into, this Stipulation, and therefore neither AT&T nor KCTA is one of the Parties as defined herein;

**WHEREAS**, it is understood by all Parties hereto that this Stipulation is subject to the approval of the Commission, insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to the Utilities' rates, terms, or conditions;

**WHEREAS**, the Parties have spent many hours over several days to reach the stipulations and agreements which form the basis of this Stipulation;

**WHEREAS**, all of the Parties, who represent diverse interests and divergent viewpoints, agree that this Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues in the Rate Proceedings; and

**WHEREAS**, the Parties believe sufficient and adequate data and information in the record of these proceedings support this Stipulation, and further believe the Commission should approve it;

**NOW, THEREFORE**, for and in consideration of the promises and conditions set forth herein, the Parties hereby stipulate and agree as follows:

## **ARTICLE I. ADVANCED METERING SYSTEMS**

**1.1. Withdrawing Request for Certificates of Public Convenience and Necessity and Cost Recovery for Advanced Metering Systems.** The Utilities agree to withdraw their requests for the Commission to grant certificates of public convenience and necessity ("CPCNs") and to approve cost recovery in these base rate proceedings for the Utilities' proposed full deployment of Advanced Metering Systems ("AMS"). The Parties agree that the Utilities' withdrawal of their requests for CPCNs and cost recovery for AMS in these proceedings does not preclude the Utilities from having full AMS deployment considered in future proceedings.

**1.2. AMS Collaborative.** The Parties agree that the Utilities and all interested Parties will participate in an AMS Collaborative to discuss the Parties' concerns about AMS and to seek to address them. The AMS Collaborative will begin at a mutually agreeable time after these proceedings conclude and will include only those Parties to these proceedings interested in participating in the collaborative. The Parties agree to engage in the collaborative in good faith not to exceed 15 months from the date the Commission issues orders in these proceedings.

## **ARTICLE II. ELECTRIC REVENUE REQUIREMENTS**

**2.1. Utilities' Electric Revenue Requirements.** The Parties stipulate that the following increases in annual revenues for LG&E electric operations and for KU operations, for purposes of determining the rates of LG&E and KU in the Rate Proceedings, are fair, just and reasonable for the Parties and for all electric customers of LG&E and KU:

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LG&E Electric Operations: \$59,400,000.

KU Operations: \$54,900,000.

The Parties agree that any increase in annual revenues for LG&E electric operations and for KU operations should be effective for service rendered on and after July 1, 2017.

**2.2. Items Reflected in Stipulated Electric Revenue Requirement Increases.** The Parties agree that the stipulated electric revenue requirement increases were calculated by beginning with the Utilities' electric revenue requirement increases as presented and supported by the Utilities in their applications in these proceedings and as revised through discovery (\$103.1 million for KU; \$94.1 million for LG&E electric) and adjusting them by the following items, which the Parties ask and recommend the Commission accept as reasonable without modification:

(A) **Removal of AMS Cost Recovery.** Because the Utilities are withdrawing their request for CPCNs and cost recovery for their proposed full deployment of AMS, recovery of AMS costs is being removed from the Utilities' electric revenue requirements. This reduces KU's proposed electric revenue requirement increase by \$6.3 million, consisting of \$3.2 million of operations and maintenance ("O&M") cost and \$3.1 million of carrying cost and depreciation expense. Similarly, this reduces LG&E's proposed electric revenue requirement increase by \$5.2 million, consisting of \$3.0 million of O&M cost and \$2.2 million of carrying cost and depreciation expense.

(B) **Return on Equity.** The Parties agree that a return on equity of 9.75% is reasonable for the Utilities' electric operations, and the agreed stipulated revenue requirement increases for the Utilities' electric operations reflect that return on equity as applied to the Utilities' capitalizations and capital structures underlying their originally proposed electric revenue requirement increases as modified through discovery. Use of a 9.75% return on equity reduces the Utilities' proposed electric revenue requirement increases by \$15.3 million for KU and \$10.1 million for LG&E.

(C) **Revised Depreciation Rates.** The stipulated revenue requirement increases reflect the revised depreciation rates shown in Stipulation Exhibits 1 (KU) and 2 (LG&E electric), which reduce the Utilities' proposed electric revenue requirement increases by \$14.7 million for KU and \$10.1 million for LG&E. In addition to contributing to reducing the Utilities' proposed electric revenue requirement increases in these proceedings, these revised depreciation rates will reduce environmental cost recovery ("ECR") revenue requirements by \$19.1 million for KU and \$16.8 million for LG&E relative to the Utilities' proposed depreciation rates as will be included in the ECR mechanism filings beginning with the July 2017 expense month.

(D) **KU Revenues Resulting from the Refined Coal Project at the Ghent Generating Station.** The stipulated revenue requirement increase for KU reflects a \$9.1 million revenue-requirement reduction related to KU's contract proceeds resulting from KU's Refined Coal project at the Ghent Generating Station. KU discussed this issue at an Informal Conference held at the Commission on March 14, 2017, in the context of Case No. 2015-00264.

(E) **Updated Five-Year Average for Uncollectible Debt Expense.** The stipulated electric revenue requirement increases reflect the use of a five-year average (calendar years 2012-2016) for uncollectible debt expense, which is an update to the five-year average (2011-2015) that was available at the time the Utilities filed their applications in these proceedings. This approach reduces the Utilities' proposed electric revenue requirement increases by \$0.5 million for KU and \$0.3 million for LG&E.

(F) **Eight-Year Average for Generator Outage Expenses; Related Use of Regulatory Accounting.** The Parties agree to use an eight-year average of generator outage expenses in the Utilities' stipulated electric revenue requirement increases, where the average is

of four historical years' expenses (2013-2016) and four years' forecasted expenses (2017-2020). This approach reduces the Utilities' proposed electric revenue requirement increases by \$1.6 million for KU and \$8.5 million for LG&E. Relatedly, the Parties agree to, and ask the Commission to approve, the Utilities' use of regulatory asset and liability accounting related to generator outage expenses that are greater or less than the eight-year average of the Utilities' generator outage expenses. This regulatory accounting will ensure the Utilities may collect, or will have to return to customers, through future base rates any amounts that are above or below the eight-year average embedded in the stipulated electric revenue requirement increases in these proceedings.

(G) **Adjustment Related to Construction Work in Progress Capital.** The Parties agree to adjust the Utilities' proposed electric revenue requirement increases to reflect differences ("slippage") between past projected and historical capital amounts for construction work in progress ("CWIP"). This adjustment reduces the Utilities' proposed electric revenue requirement increases by \$0.7 million for KU and \$0.4 million for LG&E.

(This space intentionally left blank.)

2.3. **Summary Calculation of Electric Revenue Requirement Increases.** The table below shows the calculation of the stipulated electric revenue requirement increases:

Item	KU	LG&E
Proposed electric revenue requirement increases	\$103.1 million	\$94.1 million
Remove AMS	(\$6.3 million)	(\$5.2 million)
9.75% return on equity	(\$15.3 million)	(\$10.1 million)
Revised depreciation rates	(\$14.7 million)	(\$10.1 million)
KU Refined Coal revenues	(\$9.1 million)	n/a
5-year average uncollectible expense	(\$0.5 million)	(\$0.3 million)
8-year average generator outage expense	(\$1.6 million)	(\$8.5 million)
CWIP capital slippage	(\$0.7 million)	(\$0.4 million)
Stipulated electric revenue requirement increases	\$54.9 million	\$59.4 million <sup>1</sup>

### **ARTICLE III. GAS REVENUE REQUIREMENT**

3.1. **LG&E Gas Revenue Requirement.** The Parties stipulate and agree that, effective for service rendered on and after July 1, 2017, an increase in annual revenues for LG&E gas operations of \$7,500,000, for purposes of determining the rates of LG&E gas operations in the Rate Proceedings, is fair, just and reasonable for the Parties and for all gas customers of LG&E.

<sup>1</sup> Stipulated LG&E electric revenue requirement increase differs from proposed revenue requirement increase less adjustments shown due to rounding.

**3.2. Items Reflected in Stipulated Gas Revenue Requirement Increase.** The Parties agree that the stipulated gas revenue requirement was calculated by beginning with LG&E's gas revenue requirement increase as presented and supported by LG&E in its application in Case No. 2016-00371 and as revised through discovery (\$13.4 million) and adjusting the proposed gas revenue requirement increase by the following items, which the Parties ask and recommend the Commission accept as reasonable without modification:

(A) **Removal of AMS Cost Recovery.** Because the Utilities are withdrawing their request for CPCNs and cost recovery for their proposed full deployment of AMS, recovery of AMS costs is being removed from LG&E's gas revenue requirement. This reduces LG&E's proposed gas revenue requirement increase by \$0.7 million, consisting solely of carrying cost and depreciation expense.

(B) **Return on Equity.** The Parties agree that a return on equity of 9.75% is reasonable for LG&E's gas operations, and the agreed stipulated revenue requirement increase for LG&E's gas operations reflect that return on equity as applied to LG&E's gas capitalization and capital structure underlying its originally proposed gas revenue requirement increase as modified through discovery. Use of a 9.75% return on equity reduces LG&E's proposed gas revenue requirement increase by \$2.9 million.

(C) **Depreciation Rates.** The stipulated gas revenue requirement increase reflects the depreciation rates shown in Stipulation Exhibit 3, which reduce LG&E's proposed gas revenue requirement increase by \$2.1 million.

(D) **Updated Five-Year Average for Uncollectible Debt Expense.** The stipulated gas revenue requirements increase reflects the use of a five-year average (calendar years 2012-2016) for uncollectible debt expense, which is an update to the five-year average

(2011-2015) that was available at the time LG&E filed its application in Case No. 2016-00371.

This approach reduces LG&E's proposed gas revenue requirement increase by \$0.1 million.

**3.3. Summary Calculation of Gas Revenue Requirement Increase.** The table below shows the calculation of the stipulated gas revenue requirement increase:

Item	LG&E Gas
Proposed gas revenue requirement increase	\$13.4 million
Remove AMS	(\$0.7 million)
9.75% return on equity	(\$2.9 million)
Revised depreciation rates	(\$2.1 million)
5-year average uncollectible expense	(\$0.1 million)
Stipulated gas revenue requirement increase	\$7.5 million <sup>2</sup>

#### **ARTICLE IV. REVENUE ALLOCATION AND RATE DESIGN**

**4.1. Revenue Allocation.** The Parties hereto agree that the allocations of the increases in annual revenues for KU and LG&E electric operations, and that the allocation of the increase in annual revenue for LG&E gas operations, as set forth on the allocation schedules designated Stipulation Exhibit 4 (KU), Stipulation Exhibit 5 (LG&E electric), and Stipulation Exhibit 6 (LG&E gas) attached hereto, are fair, just, and reasonable for the Parties and for all customers of LG&E and KU.

**4.2. Tariff Sheets.** The Parties hereto agree that, effective July 1, 2017, the Utilities shall implement the electric and gas rates set forth on the tariff sheets in Stipulation Exhibit 7

<sup>2</sup> Stipulated gas revenue requirement increase differs from proposed revenue requirement increase less adjustments shown due to rounding.

(KU), Stipulation Exhibit 8 (LG&E electric), and Stipulation Exhibit 9 (LG&E gas) attached hereto, which rates the Parties unanimously stipulate are fair, just, and reasonable, and should be approved by the Commission.

**4.3. Basic Service Charges.** The Parties agree that the following monthly basic service charge amounts shall be implemented on the schedule shown:

Rates	Effective July 1, 2017	Effective July 1, 2018
LG&E and KU Rates RS, VFD, RTOD-Energy, and RTOD-Demand	\$11.50	\$12.25
LG&E Rates RGS and VFD	\$16.35	\$16.35

All other basic service charges shall be the amounts reflected in the proposed tariff sheets attached hereto in Stipulation Exhibits 7 (KU), 8 (LG&E electric), and 9 (LG&E gas).

**4.4. Curtailable Service Riders.** Concerning the Utilities' Curtailable Service Riders ("CSR"), the Parties agree that CSR customers may choose between Options A and B as follows:

(A) Option A: The Utilities' proposed CSR credits and tariff provisions as filed in these proceedings.

(B) Option B: The Utilities' existing CSR tariff provisions with the modifications below:

(i) CSR credits for both Utilities of \$6.00 per kVA-month (primary) and \$5.90 per kVA-month (transmission).

(ii) A Utility may request physical curtailment when more than 10 of the Utilities' primary combustion turbines (CTs) (those with a capacity greater than 100 MW) are being dispatched, irrespective of whether the Utilities are making off-system sales. However, to avoid a physical curtailment a CSR customer may buy through a requested curtailment at the Automatic Buy-Through Price. If all available units have been dispatched or are being

dispatched, the Utilities may request a physical curtailment of the CSR customer without a buy-through option.

(iii) A Utility may request physical curtailment of a CSR customer no more than 20 times per calendar year totaling no more than 100 hours. Any buy-through of a physical curtailment request will not count toward the 100-hour limit or 20-curtailment-request limit, but will count toward the 275 hours of economic curtailments.

(iv) After receiving a physical curtailment request from the Utility where a buy-through option is available, a CSR customer will have 10 minutes to inform the Utility whether the customer elects to buy through or physically curtail. If the customer elects to physically curtail, the customer will have 30 minutes to carry out the required physical curtailment (i.e., a total of 40 minutes from the time the Utility requests curtailment to the time the customer must implement the curtailment). If a customer does not respond within 10 minutes of notice of a curtailment request from the Utility, the customer will be assumed to have elected to buy through the requested curtailment, subject to any prior written agreement with the customer.

(v) After receiving a physical curtailment request from the Utility when no buy-through option is available, a CSR customer will have 40 minutes to carry out the required physical curtailment.

(C) The Utilities will initially assign all existing CSR customers to Option B as described above. Following the initial assignment, a CSR customer may elect Option A at any time, which election will take effect beginning with the customer's first full billing cycle following the election. After a CSR makes its first election or any subsequent election, the

customer must take service under the chosen option for at least 24 full billing cycles before a new election can become effective.

(D) LG&E will permit any customer interested in participating in CSR to give notice of interest by July 1, 2017; after that date, only those customers already participating in LG&E's CSR may continue their participation at their then-current levels. Customers that have given notice of interest on or before July 1, 2017, may elect to begin participating in CSR no later than January 1, 2019. LG&E's existing capacity cap will continue to apply, and all available CSR capacity will be available for participation on a first come, first served basis to those giving notice of interest by July 1, 2017.

(E) KU's CSR will be closed to new or increased participation as of July 1, 2017.

These proposed tariff changes are shown in Stipulation Exhibits 7 (KU) and 8 (LG&E electric) attached hereto.

**4.5. Five-Year Limit to Gas Line Tracker Recovery for Transmission Modernization and Steel Service Line Replacement Programs.** The Parties agree that LG&E will recover costs related to its proposed Transmission Modernization and Steel Service Line Replacement Programs through its Gas Line Tracker ("GLT") cost-recovery mechanism for five years ending June 30, 2022. Absent further action by the Commission concerning recovery of these programs' costs by June 30, 2022, any remaining costs for such programs will be recovered through base rates via a base-rate roll-in effective for service rendered on and after July 1, 2022. These proposed tariff changes are shown in Stipulation Exhibit 9 attached hereto. This provision does not preclude LG&E from seeking Commission approval to recover other appropriate costs through the GLT mechanism.

**4.6. Revisions to Proposed Substitute Gas Sales Service (Rate SGSS).** The Parties agree that LG&E will revise its proposed Rate SGSS such that monthly billing demand will be based on greatest of (1) Maximum Daily Quantity ("MDQ"), (2) current month's highest daily volume of gas delivered, or (3) 70 percent of the highest daily volume of gas delivered during the previous 11 monthly billing periods. Also, LG&E will revise the provision of Rate SGSS concerning setting the MDQ such that the MDQ for any customer taking service under Rate SGSS when it first becomes effective will be 70% of the highest daily volume projected by LG&E for the customer in the forecasted test year used by LG&E in Case No. 2016-00371. For all other customers that later begin taking service under Rate SGSS, the customer and LG&E may mutually agree to establish the level of the MDQ; provided, however, that in the event that the customer and LG&E cannot agree upon the MDQ, then the level of the MDQ will be equal to 70% of the highest daily volume used by the customer during the 12 months prior to the date the customer began receiving natural gas from another supplier with which the customer is physically connected; in the event that such daily gas usage is not available, then the MDQ will be equal to 70% of the customer's average daily use for the highest month's gas use in the 12 months prior to the date the customer began receiving natural gas from another supplier with which the customer is physically connected. In no case will the MDQ be greater than 5,000 Mcf/day. These proposed tariff changes are shown in Stipulation Exhibit 9 attached hereto.

**4.7. Sports Field Lighting Pilot Tariff Provisions.** The Parties agree that the Utilities will add to their electric tariffs a voluntary sports field lighting rate schedule, Pilot Rate OSL – Outdoor Sports Lighting Service, on a limited-participation pilot basis (limited to 20 pilot participants per Utility). The pilot rate uses a time-of-day rate structure. The purpose of the pilot is to determine if sports fields have sufficiently different service characteristics to support

permanent sports field tariff offerings. The proposed tariff provisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

**4.8. Agreement Not to Split Residential and General Service Electric Energy Charges in Tariffs.** The Parties agree that the Utilities will not split their residential and general service electric energy charges into Infrastructure and Variable components as the Utilities had proposed in their applications in these proceedings. The proposed tariff revisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

**4.9. Agreement to File a Study Regarding 100% Base Demand Ratchets for Rate TODS.** The Utilities will file in their next base-rate proceedings a study concerning the impacts of 100% base demand ratchets for Rate TODS.

**4.10. Rate TODP 60-Minute Exemption from Setting Billing Demand Following Utility System Fault.** For customers with their own generation, for 60 minutes immediately following a Utility-system fault, but not a Utility energy spike or a fault on a customer's system, the Utilities will not use any demand data for a Rate TODP customer to set billing demand. This 60-minute exemption from setting billing demand permits customers who have significant onsite generation (i.e., 1 MW or more) that comes offline due to a Utility-system fault to reset and bring back online their own generation before the Utilities will measure demand to be used for billing purposes. The proposed tariff revisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

**4.11. Optional Pilot Rates for Schools Subject to KRS 160.325.** The Parties agree that the Utilities will add to their electric tariffs optional pilot tariff provisions for schools subject to KRS 160.325. The pilot rates will not be limited in the number of schools that may participate, but will be limited by the projected revenue impact to the Utilities. Each utility's

pilot rate provisions will be available to new participants until the total projected revenue impact (reduction) for each Utility is \$750,000 annually compared to the projected annual revenues for the participating schools under the rates under which the schools would otherwise be served. KSBA will be responsible for proposing schools for participation in the pilot rates and the order in which such schools are proposed; the Utilities will calculate and provide to KSBA the projected revenue impact of each proposed school's taking service under pilot rates. The proposed tariff revisions are included in the proposed tariff sheets attached hereto as Stipulation Exhibits 7 (KU) and 8 (LG&E electric).

#### **ARTICLE V. TREATMENT OF CERTAIN SPECIFIC ISSUES**

##### **5.1. Regulatory Accounting for Over- and Under-Recovery of Regulatory Assets.**

The Parties agree to, and ask the Commission to approve, the Utilities' continued use of regulatory asset accounting for regulatory assets embedded in the Utilities' proposed revenue requirement except that shorter-lived regulatory assets should be credited for the amounts collected through base rates even if such amortization results in changing such a regulatory asset to a regulatory liability with any remaining balances being addressed in the Utilities' next base rate case. This would include the regulatory assets for rate case expenses, 2011 summer storm expenses, and Green River. This will help ensure the Utilities only recover actual costs incurred and do not ultimately over-recover such regulatory assets as they are amortized and recovered through base rates.

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##### **5.2. Commitment to Apply for School Energy Managers Program ("SEMP")**

**Extension.** The Utilities commit to file with the Commission an application proposing a two-year extension of SEMP (for July 1, 2018, through June 30, 2020). The total annual level of funding to be proposed is \$725,000; prior to filing the application, the Utilities will consult with

KSBA to determine an appropriate allocation of the total annual funds between KU and LG&E. The Utilities commit to file the above-described application with the Commission no later than December 31, 2017.

**5.3. Commitment to File Lead-Lag Study in Next Base-Rate Cases.** The Utilities commit to file a lead-lag study in their next base-rate cases.

**5.4. Collaborative Study Regarding Electric Bus Infrastructure and Rates.** The Utilities commit to fund a study concerning economical deployment of electric bus infrastructure in the Louisville and Lexington areas, as well as possible cost-based rate structures related to charging stations and other infrastructure needed for electric buses. The Utilities commit to work collaboratively with Louisville Metro, LFUCG, and any other interested Parties to these proceedings to develop the parameters for the study, including reasonable cost and timing, and to review the study's results with representatives of Louisville Metro and LFUCG. The collaborative will include only those Parties to these proceedings interested in participating in the collaborative.

**5.5. LED Lighting Collaborative.** The Utilities commit to engage in good faith with Louisville Metro, LFUCG, and any other interested Parties to these proceedings in a collaborative to discuss issues related to LED lighting to determine what LED street lighting equipment and rate structures might be offered by the Utilities. The collaborative will include only those Parties to these proceedings interested in participating in the collaborative.

**5.6. Home Energy Assistance Charges.** The Parties agree that KU will increase its monthly residential charge for the Home Energy Assistance ("HEA") program from the current \$0.25 per month to \$0.30 per month, which shall remain effective through June 30, 2021, regardless of whether the Utilities file one or more base-rate cases during that commitment

period. The Parties further agree that LG&E will continue its monthly residential charge (for gas and electric service) for the Home Energy Assistance (“HEA”) program at \$0.25 per month, which shall remain effective until the effective date of new base rates for the Utilities following their next general base-rate cases. The change to the KU HEA charge is reflected in the proposed tariff sheets attached hereto as Stipulation Exhibit 7.

**5.7. Low-Income Customer Support.** The Utilities commit to contribute a total of \$1,450,000 of shareholder funds per year, which commitment will remain in effect through June 30, 2021, regardless of whether the Utilities file one or more base-rate cases during that commitment period.

(A) The total annual shareholder contribution from KU shall be as follows: \$100,000 for Wintercare and \$470,000 for HEA. CAC administers both programs.

(B) The total annual shareholder contribution from LG&E shall be as follows: \$700,000 to ACM for utility assistance and \$180,000 for HEA.

(C) KU agrees that up to 10% of its total contributions to CAC may be used for reasonable administrative expenses.

(D) LG&E agrees that up to 10% of its total contributions to ACM may be used for reasonable administrative expenses.

(E) None of the Utilities’ shareholder contributions will be conditioned upon receiving matching funds from other sources.

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(F) The Utilities commit not to seek reductions to their HEA charges that would become effective before June 30, 2021, for LG&E or KU regardless of whether the Utilities file one or more base-rate cases during that commitment period.

5.8. **All Other Relief Requested by Utilities to Be Approved as Filed.** The Parties agree and recommend to the Commission that, except as modified in this Stipulation and the exhibits attached hereto, the rates, terms, and conditions contained in the Utilities' filings in these Rate Proceedings, as well as the Companies' requests for CPCNs for their proposed Distribution Automation project, should be approved as filed.

#### **ARTICLE VI. MISCELLANEOUS PROVISIONS**

6.1. Except as specifically stated otherwise in this Stipulation, entering into this Stipulation shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in these Rate Proceedings is true or valid.

6.2. The Parties hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Stipulation.

6.3. Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission on or about April 19, 2017, together with a request to the Commission for consideration and approval of this Stipulation for rates to become effective for service rendered on and after July 1, 2017.

6.4. This Stipulation is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties commit to work in good faith to address and remedy promptly any such perceived violation. In all events counsel for all Parties

will represent to the Commission that the Stipulation is a fair, just, and reasonable means of resolving all issues in these proceedings, and will clearly and definitively ask the Commission to accept and approve the Stipulation as such.

6.5. If the Commission issues an order adopting this Stipulation in its entirety and without additional conditions, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order. With regard to this provision, all of the Parties acknowledge that certain of the Parties, and in particular the Sierra Club, are entities with members who are not under a Party's control but who might purport to act for, or on behalf of, the Party. Therefore, the Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation. All Parties agree that no monetary damages will be sought or obtained from a Party if the Party is not in breach, but rather a non-Party purporting to act for the Party has sought rehearing or appeal of a Commission order adopting this Stipulation in its entirety and without additional conditions.

6.6. If the Commission does not accept and approve this Stipulation in its entirety, then any adversely affected Party may withdraw from the Stipulation within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving notice of withdrawal to all other Parties and (2) timely filing for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, all Parties will continue to have the right to withdraw until the conclusion of all rehearings and appeals. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearings and appeals, all Parties that have not withdrawn will continue to be bound by the terms of the Stipulation as modified by the Commission's order.

6.7. If the Stipulation is voided or vacated for any reason after the Commission has approved the Stipulation, none of the Parties will be bound by the Stipulation.

6.8. The Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

6.9. The Stipulation shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

6.10. The Stipulation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Stipulation.

6.11. The Parties hereto agree that, for the purpose of the Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

6.12. The Parties hereto agree that neither the Stipulation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not have any precedential value in this or any other jurisdiction.

6.13. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Stipulation and based upon the foregoing are authorized to execute this Stipulation on behalf of their respective Parties.

6.14. The Parties hereto agree that this Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or

against any party. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of the Utilities are unknown and this Stipulation shall be implemented as written.

6.15. The Parties hereto agree that this Stipulation may be executed in multiple counterparts.

## **APPENDIX A: LIST OF STIPULATION EXHIBITS**

**Stipulation Exhibit 1: KU Depreciation Rates**

**Stipulation Exhibit 2: LG&E Electric Depreciation Rates**

**Stipulation Exhibit 3: LG&E Gas Depreciation Rates**

**Stipulation Exhibit 4: KU Revenue Allocation Schedule**

**Stipulation Exhibit 5: LG&E Electric Revenue Allocation Schedule**

**Stipulation Exhibit 6: LG&E Gas Revenue Allocation Schedule**

**Stipulation Exhibit 7: KU Tariff Sheets**

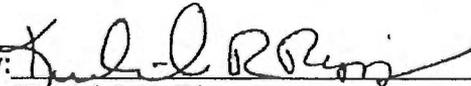
**Stipulation Exhibit 8: LG&E Electric Tariff Sheets**

**Stipulation Exhibit 9: LG&E Gas Tariff Sheets**

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

Kentucky Utilities Company and  
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

By:   
Kendrick R. Riggs

-and-

By: Allyson K. Sturgeon (KAR  
Allyson K. Sturgeon 4/permission)

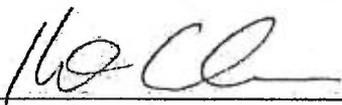
Association of Community Ministries, Inc.

HAVE SEEN AND AGREED:

By: *Lisa Kilkelly*  
Lisa Kilkelly  
Eileen Ordoover

Attorney General for the Commonwealth of  
Kentucky, by and through the Office of Rate  
Intervention

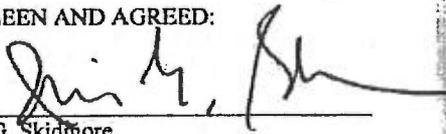
HAVE SEEN AND AGREED:

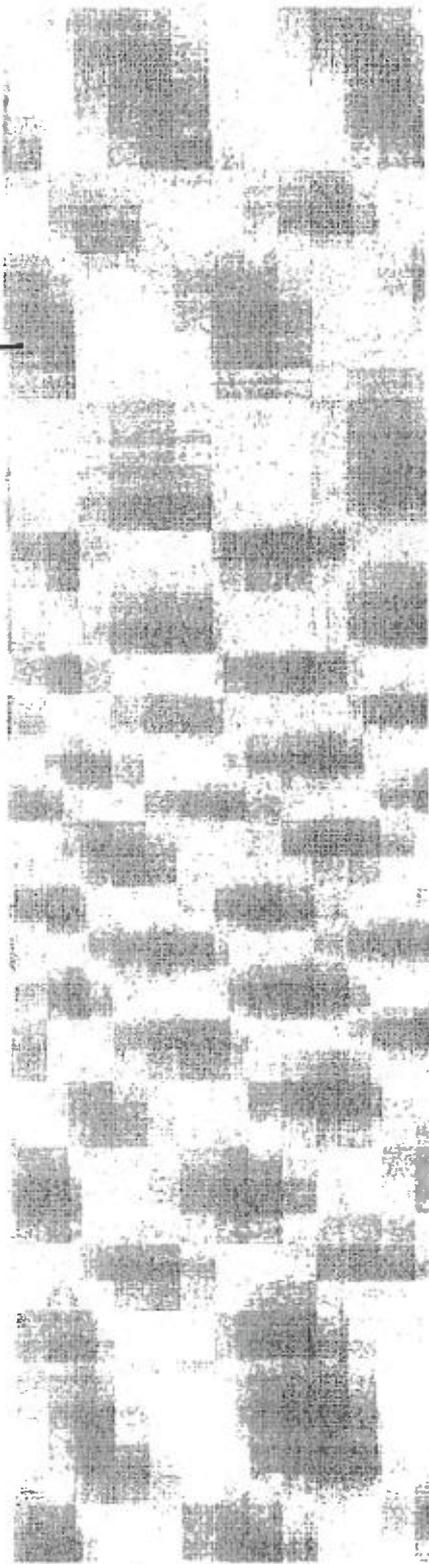
By: 

Kent Chandler  
Lawrence W. Cook  
Rebecca W. Goodman

Community Action Council for  
Lexington-Fayette, Bourbon, Harrison  
and Nicholas Counties, Inc.

HAVE SEEN AND AGREED:

By:   
Iris G. Skidmore



United States Department of Defense and All Other  
Federal Executive Agencies

HAVE SEEN AND AGREED:

By: Emily W. Medlyn  
Emily W. Medlyn  
G. Houston Parrish

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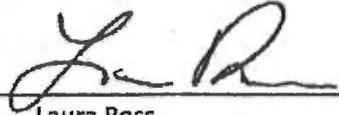
Kentucky Industrial Utility Customers, Inc.

HAVE SEEN AND AGREED:

By: Michael L. Kurtz  
Michael L. Kurtz  
Kurt J. Boehm  
Jody Kyler Cohn

Kentucky League of Cities

HAVE SEEN AND AGREED:

By:   
Laura Ross

The Kroger Company

HAVE SEEN AND AGREED:

By: Robert C. Moore  
Robert C. Moore

Kentucky School Boards Association

HAVE SEEN AND AGREED:

By: Matthew R. Malone (KRB sign w/  
Matthew R. Malone  
William H. May, III  
per Mr. May)

Lexington-Fayette Urban County Government

HAVE SEEN AND AGREED:

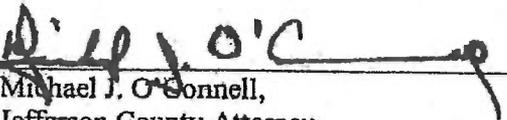
By: M. Todd Osterloh

James W. Gardner  
M. Todd Osterloh  
David J. Barberie  
Andrea C. Brown  
Janet M. Graham

*Subject to ratification by the Urban County Council*

Louisville/Jefferson County Metro Government

HAVE SEEN AND AGREED:

By:   
Michael J. O'Connell,  
Jefferson County Attorney

-and-

By:   
Gregory T. Dutton,  
Counsel for Louisville Metro

Metropolitan Housing Coalition

HAVE SEEN AND AGREED:

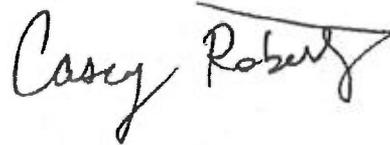
By: Tom Fitzgerald (KOR w/  
Tom Fitzgerald permission)

Sierra Club, Alice Howell, Carl Vogel  
and Amy Waters

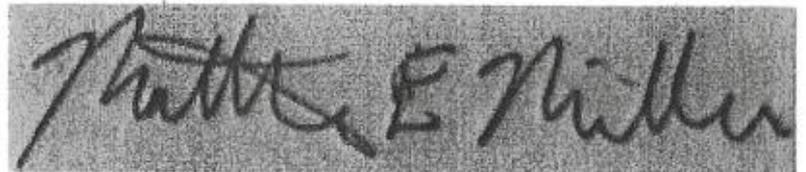
HAVE SEEN AND AGREED:



By: \_\_\_\_\_  
Joe F. Childers



\_\_\_\_\_  
Casey Roberts



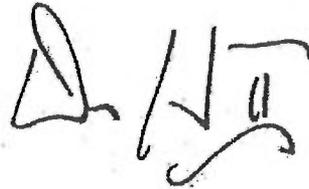
\_\_\_\_\_  
Matthew E. Miller

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JBS Swift & Co.

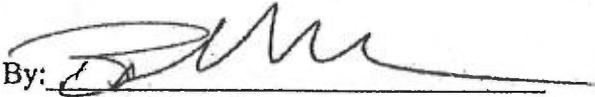
HAVE SEEN AND AGREED:

A handwritten signature in black ink, appearing to read "D. Howard, II". The signature is stylized and written in a cursive-like font.

By: \_\_\_\_\_  
Dennis G. Howard, II

Wal-Mart Stores East, LP and Sam's East, Inc.

HAVE SEEN AND AGREED:

By: 

Barry N. Naumi  
Don C.A. Parker

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## SECOND STIPULATION AND RECOMMENDATION

This Second Stipulation and Recommendation ("Second Stipulation") is entered into this first day of May 2017 by and between Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "the Utilities"); BellSouth Telecommunications, LLC d/b/a AT&T Kentucky ("AT&T"), and Kentucky Cable Telecommunications Association ("KCTA"). (Collectively, the Utilities, AT&T and KCTA are the "Parties.")

### WITNESSETH:

WHEREAS, on November 23, 2016, KU filed with the Kentucky Public Service Commission ("Commission") its Application for Authority to Adjust Electric Rates and For Certificates of Public Convenience and Necessity, In the Matter of: An Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and For Certificates of Public Convenience and Necessity, and the Commission has established Case No. 2016-00370 to review KU's base rate application, in which KU requested a revenue increase of \$103.1 million;

WHEREAS, on November 23, 2016, LG&E filed with the Commission its Application for Authority to Adjust Electric and Gas Rates and For Certificates of Public Convenience and Necessity, In the Matter of: An Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and For Certificates of Public Convenience and Necessity, and the Commission has established Case No. 2016-00371 to review LG&E's base rate application, in which LG&E requested a revenue increase for its electric operations of \$93.6 million and a revenue increase of \$13.8 million for its gas operations (Case Nos. 2016-00370 and 2016-00371 are hereafter collectively referenced as the "Rate Proceedings");

WHEREAS, on February 20, 2017, LG&E filed with the Commission in Case No. 2016-00371 a Supplemental Response to Commission Staff's First Request for Information No. 54 in

which LG&E corrected its requested revenue increases for its electric operations to be \$94.1 million and for its gas operations to be \$13.4 million;

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00370 to the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“AG”), AT&T, Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (“CAC”), KCTA, Kentucky Industrial Utility Customers, Inc. (“KIUC”), Kentucky League of Cities (“KLC”), The Kroger Company (“Kroger”), Kentucky School Boards Association (“KSBA”), Lexington-Fayette Urban County Government (“LFUCG”), Sierra Club, Alice Howell, and Carl Vogel, and Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively “Wal-Mart”);

**WHEREAS**, the Commission has granted full intervention in Case No. 2016-00371 to Association of Community Ministries, Inc., AG, AT&T, United States Department of Defense and All Other Federal Executive Agencies, KCTA, KIUC, Kroger, KSBA, Louisville/Jefferson County Metro Government, Metropolitan Housing Coalition, Sierra Club and Amy Waters, JBS Swift & Co., and Wal-Mart;

**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement and the text of a stipulation and recommendation, attended by representatives of the Parties and the Commission Staff, took place on April 12, 13, and 17, 2017, at the offices of the Commission, which representatives of AT&T and KCTA also attended on April 12 and 13, and which representatives of KCTA also attended on April 17, and during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in the Rate Proceedings;

**WHEREAS**, all parties to these proceedings except AT&T and KCTA reached agreement and entered into a stipulation and recommendation ("First Stipulation"), which the Utilities filed with the Commission on April 19, 2017;

**WHEREAS**, a prehearing informal conference for the purpose of discussing settlement and the text of this Second Stipulation, attended by representatives of the Parties and the Commission Staff, took place on April 25, 2017, at the offices of the Commission, during which a number of procedural and substantive issues were discussed;

**WHEREAS**, it is understood by all Parties hereto that this Second Stipulation is subject to the approval of the Commission, insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to the Utilities' rates, terms, or conditions;

**WHEREAS**, the Parties have spent many hours over several days to reach the stipulations and agreements which form the basis of this Second Stipulation;

**WHEREAS**, the Parties agree that this Second Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues addressed herein, and that the First and Second Stipulations, considered together, produce a fair, just, and reasonable resolution of all the issues in the Rate Proceedings; and

**WHEREAS**, the Parties believe sufficient and adequate data and information in the record of these proceedings support this Second Stipulation, and further believe the Commission should approve it;

**NOW, THEREFORE**, for and in consideration of the promises and conditions set forth herein, the Parties hereby stipulate and agree as follows:

## ARTICLE I. RATE PSA MODIFICATIONS

1.1. **Attachment Charges for Wireline Facilities.** The Parties stipulate that an annual attachment charge of \$7.25 for a wireline facility is fair, just, and reasonable. The Commission previously approved this charge in the Utilities' most recent general rate case proceedings, Cases No. 2014-00371 and No. 2014-00372. The Utilities have not proposed to adjust this rate, which assumes that a wireline facility will require one foot of usable pole space. AT&T and KCTA have previously advised the Commission that they have no objections to this rate remaining in effect.

1.2. **Attachment Charges for Pole-Top Wireless Facilities.** The Parties stipulate that a fair, just, and reasonable rate for wireless facilities attached to the top of the Utilities' structures is \$36.25 per year. They agree that for purposes of determining the annual charge, a pole-top wireless facility should be allocated five feet of usable pole space. The Utilities assert that this allocation is based upon the premise that, as the Utilities typically have electric facilities located at or near the top of their distribution poles, a pole top wireless facility, such as an antenna, requires a five foot taller pole to maintain a safe working distance of at least 48 inches between the electric facilities and the pole top antenna. Thus, the Utilities assert that the Wireless Facility owner is responsible for the top 5 feet of the pole: one foot for the antenna and four feet of clearance above the power space. Without adopting the Utilities' assertions set out in the preceding two sentences, AT&T agrees that an allocation of five feet of usable pole space is supported by evidence in the record. As the Commission has previously approved the annual rate of \$7.25 for one foot of pole space, the use of five feet will produce an annual charge of \$36.25.

**1.3. Attachment Charges for Mid-Pole Wireless Facilities.** The Parties stipulate and agree that, given the lack of information regarding the size and characteristic of wireless antennas and other devices that may be attached to an electric utility pole in the communications space, a uniform rate for such attachments cannot be easily developed and that the rate for such attachments should be developed on a case-by-case basis through special contracts until a sufficient number of such attachments have been made to the Utilities' structures to develop a tariffed rate. At the time of their next general rate applications, the Utilities will determine if they have sufficient evidence regarding mid-pole devices to determine whether a uniform rate is appropriate and, if so, revise the PSA Rate Schedule accordingly.

**1.4. Terms and Conditions of Rate PSA.** The Parties stipulate and agree that revisions to the originally proposed version of the PSA Rate Schedule are necessary to afford sufficient flexibility for Attachment Customers to permit them to operate effectively in the unregulated, market-based telecommunications industry. The revised PSA Rate Schedules, which are shown in Exhibits 1 and 2 to this Second Stipulation, with the proposed additions and deletions clearly marked, appropriately balance an Attachment Customer's need for flexibility with the public's interest in reliable and safe electric service. The Parties stipulate that, as revised, the terms and conditions set forth in the proposed PSA Rate Schedule are fair, just, and reasonable, will promote public safety, enhance the reliability of electric service, and ensure fair and uniform treatment of Attachment Customers as well as promote the deployment and adoption of advanced communications services.

## **ARTICLE II. FIRST STIPULATION**

**2.1. No objections.** AT&T and KCTA have reviewed the First Stipulation filed with the Commission on April 19, 2017 and have no objections to it, except to the extent the First

Stipulation's electric tariff exhibits contained PSA Rate Schedules inconsistent with this Second Stipulation and its exhibits, in which case the latter should control.

**2.2. AMS Collaborative.** The Parties agree that the Utilities shall notify AT&T and KCTA if and when it engages in any AMS Collaborative pursuant to the First Stipulation § 1.2 and that AT&T and KCTA may, at their option, participate in any or all phases of the AMS Collaborative.

### **ARTICLE III. MISCELLANEOUS PROVISIONS**

**3.1.** Except as specifically stated otherwise in this Second Stipulation, entering into this Second Stipulation shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in these Rate Proceedings is true or valid.

**3.2.** The Parties hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Second Stipulation.

**3.3.** Following the execution of this Second Stipulation, the Parties shall cause it to be filed with the Commission on or about May 1, 2017, together with a request to the Commission for consideration and approval of this Second Stipulation for rates to become effective for service rendered on and after July 1, 2017.

**3.4.** This Second Stipulation is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Second Stipulation and the First Stipulation be accepted and approved. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties

commit to work in good faith to address and remedy promptly any such perceived violation. In all events counsel for all Parties will represent to the Commission that the First and Second Stipulations, taken together, produce a fair, just, and reasonable means of resolving all issues in these proceedings, and will clearly and definitively ask the Commission to accept and approve the First and Second Stipulations as such.

3.5. If the Commission issues an order adopting this Second Stipulation in its entirety and without additional conditions, irrespective of whether the Commission approves the terms of the First Stipulation, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to the portions of such order that concern this Second Stipulation. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation. All Parties agree that no monetary damages will be sought or obtained from a Party if the Party is not in breach, but rather a non-Party purporting to act for the Party has sought rehearing or appeal of a Commission order adopting this Second Stipulation in its entirety and without additional conditions.

3.6. If the Commission does not accept and approve this Second Stipulation in its entirety and without additional conditions, then any adversely affected Party may withdraw from the Second Stipulation within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving notice of withdrawal to all other Parties and (2) timely filing for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, all Parties will continue to have the right to withdraw until the conclusion of all rehearings and appeals. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearings and appeals, all

Parties that have not withdrawn will continue to be bound by the terms of the Second Stipulation as modified by the Commission's order.

3.7. If the Second Stipulation is voided or vacated for any reason after the Commission has approved the Second Stipulation, none of the Parties will be bound by the Second Stipulation.

3.8. The Second Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

3.9. The Second Stipulation shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

3.10. The Second Stipulation, including its Exhibits, constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Second Stipulation.

3.11. The Parties hereto agree that, for the purpose of the Second Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

3.12. The Parties hereto agree that neither the Second Stipulation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Second Stipulation. This Second Stipulation shall not have any precedential value in this or any other jurisdiction.

3.13. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Second

Stipulation and based upon the foregoing are authorized to execute this Second Stipulation on behalf of their respective Parties.

3.14. The Parties hereto agree that this Second Stipulation is a product of negotiation among all Parties hereto, and no provision of this Second Stipulation shall be strictly construed in favor of or against any party.

3.15. The Parties hereto agree that this Second Stipulation may be executed in multiple counterparts.

**(This space intentionally left blank.)**

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

Kentucky Utilities Company and  
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

By: Kendrick R. Riggs  
Kendrick R. Riggs

-and-

By: Allyson K. Sturgeon (with  
Allyson K. Sturgeon permission  
(RR))

BellSouth Telecommunications, LLC d/b/a AT&T  
Kentucky

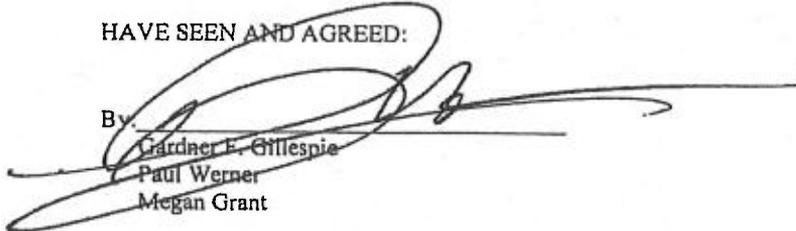
HAVE SEEN AND AGREED:

By: Cheryl R. Winn  
Cheryl R. Winn

Kentucky Cable Telecommunications Association

HAVE SEEN AND AGREED:

By

  
Gardner E. Gillespie

Paul Werner

Megan Grant

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APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2016-00371 DATED **JUN 22 2017**

The following rates and charges are prescribed for the customers in the area served by Louisville Gas and Electric Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE RS  
RESIDENTIAL SERVICE

Basic Service Charge per Month	\$12.25
Energy Charge per kWh	\$ .09153

SCHEDULE RTOD-ENERGY  
RESIDENTIAL TIME-OF-DAY ENERGY SERVICE

Basic Service Charge per Month	\$12.25
Energy Charge per kWh	
Off Peak Hours	\$ .06653
On Peak Hours	\$ .23263

SCHEDULE RTOD-DEMAND  
RESIDENTIAL TIME-OF-DAY DEMAND SERVICE

Basic Service Charge per Month	\$12.25
Energy charge per kWh	\$ 0.04956
Demand Charge per kW	
Off Peak Hours	\$ 3.51
On Peak Hours	\$ 7.68

SCHEDULE VFD  
VOLUNTEER FIRE DEPARTMENT

Basic Service Charge per Month	\$12.25
Energy Charge per kWh	\$ .09153

SCHEDULE GS  
GENERAL SERVICE RATE

Basic Service Charge per Month – Single Phase	\$ 31.50
Basic Service Charge per Month – Three Phase	\$ 50.40
Energy Charge per kWh	\$ .09935

SCHEDULE PS  
POWER SERVICE

Secondary Service:

Basic Service Charge per Month	\$ 90.00
Demand Charge per kW:	
Summer Rate	\$ 20.21
Winter Rate	\$ 17.56
Energy Charge per kWh	\$ .04047

Primary Service:

Basic Service Charge per Month	\$240.00
Demand Charge per kW:	
Summer Rate	\$ 17.55
Winter Rate	\$ 15.03
Energy Charge per kWh	\$ .03903

SCHEDULE TODS  
TIME-OF-DAY SECONDARY SERVICE

Basic Service Charge per Month	\$200.00
Maximum Load Charge per kW:	
Base Demand Period	\$ 4.61
Intermediate Demand Period	\$ 4.91
Peak Demand Period	\$ 6.70
Energy Charge per kWh	\$ .04029

SCHEDULE TODP  
TIME-OF-DAY PRIMARY SERVICE

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Basic Service Charge per Month	\$330.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 3.01
Intermediate Demand Period	\$ 4.76
Peak Demand Period	\$ 6.49
Energy Charge per kWh	\$ .03797

SCHEDULE RTS  
RETAIL TRANSMISSION SERVICE

Basic Service Charge per Month	\$1,500.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 1.43
Intermediate Demand Period	\$ 4.82
Peak Demand Period	\$ 6.57
Energy Charge per kWh	\$ .03670

SCHEDULE FLS  
FLUCTUATING LOAD SERVICE

Primary:

Basic Service Charge per Month	\$ 330.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 2.68
Intermediate Demand Period	\$ 4.24
Peak Demand Period	\$ 5.96
Energy Charge per kWh	\$ .03797

Transmission:

Basic Service Charge per Month	\$1,500.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 1.27
Intermediate Demand Period	\$ 4.30
Peak Demand Period	\$ 6.03
Energy Charge per kWh	\$ .03671

SCHEDULE LS  
LIGHTING SERVICE

Rate per Light per Month: (Lumens Approximate)

Overhead:

	<u>Fixture</u> <u>Only</u>
<u>High Pressure Sodium:</u>	
16,000 Lumens - Cobra Head	\$13.78
28,500 Lumens - Cobra Head	\$16.17
50,000 Lumens - Cobra Head	\$18.61
16,000 Lumens - Directional	\$14.73
50,000 Lumens - Directional	\$19.44
9,500 Lumens - Open Bottom	\$11.93

Metal Halide

32,000 Lumens - Directional \$19.89

Light Emitting Diode (LED):

8,179 Lumens - Cobra Head \$14.36

14,166 Lumens - Cobra Head \$17.43

23,214 Lumens - Cobra Head \$26.75

5,007 Lumens - Open Bottom \$9.48

Underground:

	<u>Fixture Only</u>	<u>Decorative Smooth</u>	<u>Historic Fluted</u>
<u>High Pressure Sodium:</u>			
5,800 Lumens - Colonial, 4-Sided		\$21.32	
9,500 Lumens - Colonial, 4-Sided		\$22.08	
16,000 Lumens - Colonial, 4-Sided		\$22.21	
5,800 Lumens - Acorn		\$21.72	
9,500 Lumens - Acorn		\$24.20	
16,000 Lumens - Acorn		\$24.20	
5,800 Lumens - London			\$37.11
9,500 Lumens - London			\$37.15
5,800 Lumens - Victorian			\$34.79
9,500 Lumens - Victorian			\$36.94
4,000 Lumens - Dark Sky		\$25.33	
9,500 Lumens - Dark Sky		\$25.98	
Victorian/London Bases - Westchester/Norfolk			\$ 3.71
16,000 Lumens - Cobra Head		\$28.49	
28,500 Lumens - Cobra Head		\$30.81	
50,000 Lumens - Cobra Head		\$36.78	
16,000 Lumens - Contemporary	\$17.42	\$32.18	
28,500 Lumens - Contemporary	\$19.37	\$34.78	
50,000 Lumens - Contemporary	\$23.55	\$40.59	

Metal Halide

32,000 Lumens - Contemporary \$21.67 \$32.77

Light Emitting Diode (LED):

8,179 Lumens - Cobra Head	\$52.66
14,166 Lumens - Cobra Head	\$55.73
23,214 Lumens - Cobra Head	\$65.05
5,665 Lumens - Colonial	\$45.46

SCHEDULE RLS  
RESTRICTED LIGHTING SERVICE

Overhead:

	<u>Fixture Only</u>	<u>Fixture and Wood Pole</u>	<u>Fixture and Ornamental Pole</u>
<u>Mercury Vapor:</u>			
8,000 Lumens - Cobra/O.B.	\$10.50		
13,000 Lumens - Cobra Head	\$11.97		
25,000 Lumens - Cobra Head	\$14.76		
60,000 Lumens - Cobra Head	\$30.17		
25,000 Lumens - Directional	\$16.84		
60,000 Lumens - Directional	\$31.40		
4,000 Lumens - Open Bottom	\$ 8.98		
<u>Metal Halide</u>			
12,000 Lumens - Directional	\$13.81	\$16.48	
32,000 Lumens - Directional		\$22.18	\$29.64
107,800 Lumens - Directional	\$42.04	\$45.23	
<u>Wood Pole:</u>			
Installed Before 3/1/2010	\$11.32		
Installed Before 7/1/2004	\$ 2.15		

Underground:

	<u>Fixture Only</u>	<u>Decorative Smooth</u>
<u>High Pressure Sodium:</u>		
16,000 Lumens - Cobra/Contemporary		\$26.96
28,500 Lumens - Cobra/Contemporary		\$29.65
50,000 Lumens - Cobra/Contemporary		\$34.03
5,800 Lumens - Coach/Acorn		\$15.84

9,500 Lumens - Coach/Acorn		\$19.04
16,000 Lumens - Coach/Acorn		\$23.67
120,000 Lumens - Contemporary	\$45.11	\$76.24
9,500 Lumens - Acorn, Bronze		\$25.35
16,000 Lumens - Acorn, Bronze		\$26.94
5,800 Lumens - Victorian	\$21.28	
9,500 Lumens - Victorian	\$22.33	
5,800 Lumens - London	\$21.44	
9,500 Lumens - London	\$22.83	
5,800 Lumens - London		\$35.08
9,500 Lumens - London		\$36.02
5,800 Lumens - Victorian		\$34.11
9,500 Lumens - Victorian		\$36.26
<u>Victorian/London Bases:</u>		
Old Town		\$ 3.62
Chesapeake		\$ 3.82
<u>Poles:</u>		
10' Smooth Pole		\$10.82
10' Fluted Pole		\$12.91
<u>Mercury Vapor:</u>		
8,000 Lumens - Cobra Head		\$18.53
13,000 Lumens - Cobra Head		\$20.41
25,000 Lumens - Cobra Head		\$24.43
25,000 Lumens - Cobra (State of KY Pole)	\$23.84	
4,000 Lumens - Coach		\$13.39
8,000 Lumens - Coach		\$15.27
<hr/>		
<u>Metal Halide:</u>		
12,000 Lumens - Contemporary	\$15.44	\$25.91
107,800 Lumens - Contemporary	\$45.01	\$56.09
<u>Incandescent:</u>		
1,500 Lumens - Continental Jr.		\$ 9.57
6,000 Lumens - Continental Jr.		\$ 13.93

SCHEDULE TE  
TRAFFIC ENERGY SERVICE

Basic Service Charge per Month	\$4.00
Energy Charge per kWh	\$ .08277

SCHEDULE PSA  
POLE AND STRUCTURE ATTACHMENT CHARGES

Per Year for Each Attachment to Pole	\$ 7.25
Per Year for Each Linear Foot of Duct	\$ .81
Per Year for Each Wireless Facility	\$36.25

RATE CSR-1  
CURTAILABLE SERVICE RIDER

	<u>Transmission</u>	<u>Primary</u>
Demand Credit per kVA	\$ 3.56	\$ 3.67
Non-compliance Charge Per kVA	\$16.00	\$16.00

RATE CSR-2  
CURTAILABLE SERVICE RIDER

	<u>Transmission</u>	<u>Primary</u>
Demand Credit per kVA	\$ 5.90	\$ 6.00
Non-compliance Charge Per kVA	\$ 16.00	\$ 16.00

RC  
REDUNDANT CAPACITY

Charge per kW/kVA per month	
Secondary Distribution	\$ 1.59
Primary Distribution	\$ 1.44

SPECIAL CONTRACTS

<u>Fort Knox</u>	
Basic Service Charge per Month	\$330.00
Maximum Load Charge per kVA:	
Base Demand Period	\$ 3.01
Intermediate Demand Period	\$ 4.76
Peak Demand Period	\$ 6.49
Energy Charge per kWh	\$ .03797

Louisville Water Company

Demand Charge per kW:	\$ 12.89
Energy Charge per kWh	\$ .03853

EVSE  
ELECTRIC VEHICLE SUPPLY EQUIPMENT

Monthly Charging Unit Fee:	
Single Charger	\$180.46
Dual Charger	\$302.04

EVC  
ELECTRIC VEHICLE CHARGING SERVICE

Fee per Hour	\$ 2.86
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EVSE-R  
ELECTRIC VEHICLE SUPPLY EQUIPMENT

Monthly Charging Unit Fee:	
Single Charger	\$132.00
Dual Charger	\$205.15

SSP  
SOLAR SHARE PROGRAM RIDER

Monthly Charge:	
Solar Capacity Charge	\$ 6.24
Solar Energy Credit per kWh of Pro Rata Energy Produced:	
RS	\$ .03698
RTOD-Energy	\$ .03698
RTOD-Demand	\$ .03698
VFD	\$ .03698
GS	\$ .03698
PS Secondary	\$ .04047
PS Primary	\$ .03903
TODS	\$ .04029
TODP	\$ .03797

SPS  
SCHOOL POWER SERVICE

Secondary Service:

Basic Service Charge per Month	\$ 90.00
Demand Charge per kW:	
Summer Rate	\$16.73
Winter Rate	\$14.53
Energy Charge per kWh	\$ .04071

STOD  
SCHOOL TIME-OF-DAY SERVICE

Basic Service Charge per Month	\$200.00
Maximum Load Charge per kW:	
Base Demand Period	\$ 4.13
Intermediate Demand Period	\$ 4.64
Peak Demand Period	\$ 6.13
Energy Charge per kWh	\$ .04049

OSL  
OUTDOOR SPORTS LIGHTING SERVICE

Secondary Service:

Basic Service Charge per Month	\$ 90.00
Demand Charge per kW:	
Peak Demand Period	\$ 14.37
Base Demand Period	\$ 4.29
Energy Charge per kWh	\$ .04070

Primary Service:

Basic Service Charge per Month	\$240.00
Demand Charge per kW:	
Peak Demand Period	\$ 13.07
Base Demand Period	\$ 3.01
Energy Charge per kWh	\$ .03924

UNAUTHORIZED RECONNECT CHARGE

Tampering or Unauthorized Connection or Reconnection Fee:	
Meter Replacement Not Required	\$ 70.00
Single Phase Standard Meter Replacement Required	\$ 90.00
Single Phase AMR Meter Replacement Required	\$ 110.00
Single Phase AMS Meter Replacement Required	\$ 174.00

Three Phase Meter Replacement Required

\$ 177.00

HEA  
HOME ENERGY ASSISTANCE PROGRAM

Per Month

\$ .25

GAS SERVICE RATES

RATE RGS  
RESIDENTIAL GAS SERVICE

Basic Service Charge per Month \$ 16.35  
Distribution Charge per Ccf \$ .36208

RATE VFD  
VOLUNTEER FIRE DEPARTMENT SERVICE

Basic Service Charge per Month \$ 16.35  
Distribution Charge per Ccf \$ .36208

RATE CGS  
FIRM COMMERCIAL GAS SERVICE

Basic Service Charge per Month  
Meters < 5000 cf/hr \$ 60.00  
Meters >= 5000 cf/hr \$ 285.00  
  
Distribution Charge per Ccf  
\$ .25058 on peak  
\$ .20058 off peak

Rider TS-2 Gas Transportation Service

Administrative Charge per Month \$ 550.00  
Distribution Charge per Mcf \$ 2.5058 on peak  
\$ 2.0058 off peak

RATE IGS  
FIRM INDUSTRIAL GAS SERVICE

Basic Service Charge per Month  
Meters < 5000 cf/hr \$ 165.00  
Meters >= 5000 cf/hr \$ 750.00  
  
Distribution Charge per Ccf  
\$ .21929 on peak  
\$ .16929 off peak

Rider TS-2 Gas Transportation Service

Administrative Charge per Month	\$ 550.00
Customer Charge per Month Meters >= 5000 cf/hr	\$ 750.00
Distribution Charge per Mcf	\$ 2.1929 on peak \$ 1.6929 off peak

RATE AAGS  
AS-AVAILABLE GAS SERVICE

Basic Service Charge per Month	\$ 500.00
Distribution Charge per Mcf	\$ 1.0644

Rider TS-2 Gas Transportation Service

Administrative Charge per Month	\$ 550.00
Customer Charge per Month	\$ 500.00
Distribution Charge per Mcf	\$ 1.0644

RATE DGGS  
DISTRIBUTED GENERATION GAS SERVICE

Basic Service Charge per Month	
Meters < 5000 cf/hr	\$ 165.00
Meters >= 5000 cf/hr	\$ 750.00
Demand Charge per Ccf of Monthly Billing Demand	\$ 1.08978
Distribution Charge per Ccf	\$ .02992

RATE FT  
FIRM TRANSPORTATION SERVICE

Administrative Charge per Month	\$ 550.00
Distribution Charge per Mcf	\$ .4435

RATE SGSS  
SUBSTITUTE GAS SALES SERVICE

Customer Charge per Month	\$ 285.00
Demand Charge per Mcf	\$ 5.9809
Distribution Charge per Mcf	\$ .3593

RATE LGDS  
LOCAL GAS DELIVERY SERVICE

Administrative Charge per Month	\$ 550.00
Basic Service Charge per Month	\$1,310.00
Demand Charge per Mcf	\$ 2.57
Distribution Charge per Mcf	\$ .0388

INTRA-COMPANY SPECIAL CONTRACTS

Customer Charge per Month	\$ 750.00
Demand Charge per Mcf	\$ 10.8978
Distribution Charge per Mcf	\$ .29920

GLT  
GAS LINE TRACKER

	Distribution Projects (\$/delivery point)	Transmission Projects (\$/Ccf)
RGS – Residential Gas Service	\$ .71	.00065
VFD – Volunteer Fire Department Service	\$ .71	.00065
CGS – Commercial Gas Service	\$ 3.53	.00050
IGS – Industrial Gas Service	\$ 43.93	.00020
AAGS – As-Available Gas Service	\$ 43.93	.00020
DGGS – Distributed Generation Gas Service	\$ 43.93	.00020
SGSS – Substitute Gas Sales Service	\$ 3.53	.00050
FT – Firm Transportation	\$ 0.00	.00003
LGDS – Local Gas Delivery Service	\$ 0.00	.00003

HEA  
HOME ENERGY ASSISTANCE

Per Month	\$ .25
-----------	--------

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2016-00371**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 12, 2017**

**Question No. 11**

**Responding Witness: Gregory J. Meiman**

- Q-11. Refer to KU/LG&E's Response to Staff's Sixth Request, Item 3.b. and 3.c. Provide a schedule that lists the number of employees who participate in both the Retirement Plan (eligible if hired prior to 1/1 /06) and the Savings Plan Company Match and the 401 (k) Company Match broken out by:
- a. KU jurisdictional operations;
  - b. LG&E electric operations; and
  - c. LG&E gas operations

A-11. The total number of employees who participate in both the Retirement Plan (eligible if hired prior to 1/1 /06) and the 401(k) Match as shown in the attachment to the response to PSC- 6-3 is 1,875. However, the Company does not agree with the implication from the questions at the hearing that because employees who participate in the Retirement Plan or the Retirement Income Account (eligible if hired on or after 1/1/06) can also participate in the 401(k) Company Match, then the result is an unreasonable employment management practice or an unreasonable total retirement benefit. Attachment 1 is additional benchmarking information prepared by Mercer, following the hearing in the case. As indicated in Attachment 1, data was reported for Utilities, Kentucky Companies and General Industry. The survey information reflects that 98%, 100% and 95% of Utilities, Kentucky Companies and General Industry companies, respectively, provide matching contributions to defined benefit plan participants. This is consistent with the Company's offering for employees hired prior to January 1, 2006.

The Saving Plan Company Match and the 401(k) Match are the same thing. See Attachment 2 for the split between Companies, O&M and Capital, and then calculated for LG&E electric, LG&E gas and KU jurisdictional operations.

## MEMO

**TO:** Louisville Gas and Electric Company  
Kentucky Utilities Company

**DATE:** May 24, 2017

**FROM:** LaCinda Glover

**SUBJECT:** Workforce Retirement Benchmarking

**COPY:** Kendrick Riggs, Lindsey Ingram (Stoll Keenon Ogden), Allyson Sturgeon (LG&E/KU)  
Julia O'Bryan, Kyle O'Donnell, Kelly Kinnett (Mercer)

Three comparator groups were used in comparing retirement benefits to LG&E/KU Energy employees:

- Utilities (excluding any small co-ops) (72 organizations)
- Companies based in Kentucky (10 organizations)
- General industry companies with revenue between \$1.6B - \$6.5B (381 companies)

Retirement information was obtained from Mercer's Executive and Broad-based Employee Retirement Tool (EBERT), which contains detailed retirement plan information for over 1,000 US companies. This database is maintained independently from Mercer's client base, and contains a broad view of retirement practices across all companies. Furthermore, this database reflects plans provided to the broad employee population, and excludes plans that are carved out separately for hourly or union employees. If hourly or union employees participate in the same programs as salaried employees, those programs have been included in this analysis.

### Overall Retirement Plan Prevalence<sup>1</sup>:

	Utilities	Kentucky Companies	General Industry
<b>Active DB Plan (open to new hires)</b>	38%	10%	8%
<b>Closed DB Plan (no new participants)</b>	58%	20%	13%
<b>Frozen DB Plan (no future accruals)</b>	28%	40%	34%
<b>No DB Plan</b>	14%	40%	53%

<sup>1</sup>Numbers do not add to 100% as companies may provide more than one DB plan or formula (e.g., a company that provides a closed final average pay DB plan for employees hired prior to 2010 and an active cash balance DB plan for new hires)

**Companies that provide a matching contribution to employees that are accruing benefits in a closed or active DB plan:**

	Utilities	Kentucky Companies	General Industry
<b>% providing matching contributions to participants accruing benefits in a DB plan</b>	98%	100%	95%

**Prevalence of retirement program structure for employees that participate only in the retirement plans open to new hires (i.e., not eligible to participate in the company's closed DB plan):**

	Utilities	Kentucky Companies	General Industry
<b>Matching contribution only</b>	10%	0%	18%
<b>Non-matching contribution<sup>2</sup> only</b>	0%	0%	0%
<b>Both matching and non-matching<sup>2</sup> contributions</b>	90%	100%	82%

<sup>2</sup>Non-matching contributions include employer contributions to a 401(k)/DC plan or employer contributions to a DB cash balance plan that is open to new hires



employees who participate in both the Retirement Plan - eligible if hired prior to 1/1/06 and the 401(k) Company Match

	Bargaining Unit	Exempt	Hourly	Manager	Non-exempt	Officer & Director	Total
01k participant count - pension	431	662	259	137	313	73	1875
01k Company Match - pension	1,626,216.08	2,795,976.82	1,025,869.90	793,243.78	850,385.56	626,496.07	7,718,188.21

	%	\$	\$	\$	\$	\$	\$
<u>Entity Split</u>							
LG&E	46.08%	749,427	472,763	365,559	391,892	288,715	3,556,857
KU	53.27%	866,359	546,527	422,597	453,039	333,763	4,111,828
Other	0.64%	10,430	6,580	5,088	5,454	4,018	49,503
<b>Total</b>		<b>1,626,216</b>	<b>1,025,870</b>	<b>793,244</b>	<b>850,386</b>	<b>626,496</b>	<b>7,718,188</b>

	%	\$	\$	\$	\$	\$	\$
<u>LG&amp;E Split</u>							
Electric	75.35%	564,683	356,221	275,444	295,286	217,543	2,680,046
Gas	24.65%	184,744	116,542	90,115	96,607	71,172	876,812

	%	\$	\$	\$	\$	\$	\$
<u>LG&amp;E Electric Operating Expense Split</u>							
Operating Expense	71.43%	403,331	254,435	196,739	210,911	155,382	1,914,252
Less: Mechanism	0.79%	3,206	2,022	1,564	1,676	1,235	15,215
<b>LG&amp;E Electric Jurisdictional Operating Expense</b>		<b>400,125</b>	<b>252,412</b>	<b>195,175</b>	<b>209,235</b>	<b>154,147</b>	<b>1,899,036</b>

	%	\$	\$	\$	\$	\$	\$
<u>LG&amp;E Gas Operating Expense Split</u>							
Operating Expense	71.43%	131,955	83,242	64,366	69,002	50,835	626,272
Less: Mechanism	0.79%	1,049	662	512	548	404	4,978
<b>LG&amp;E Gas Jurisdictional Operating Expense</b>		<b>130,906</b>	<b>82,580</b>	<b>63,854</b>	<b>68,454</b>	<b>50,431</b>	<b>621,294</b>

	%	\$	\$	\$	\$	\$	\$
<u>KU Operating Expense Split</u>							
Operating Expense	71.09%	615,902	388,531	300,428	322,069	237,275	2,923,135
Less: Mechanism	0.67%	4,156	2,621	2,027	2,173	1,601	19,723
<b>KU Operating Expense</b>		<b>611,747</b>	<b>385,910</b>	<b>298,401</b>	<b>319,896</b>	<b>235,674</b>	<b>2,903,413</b>
<b>KU Jurisdictional Operating Expense</b>	<b>90.273%</b>	<b>552,242</b>	<b>348,372</b>	<b>269,375</b>	<b>288,780</b>	<b>212,750</b>	<b>2,620,998</b>

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
Dated September 19, 2018**

**Case No. 2018-00295**

**Question No. 39**

**Responding Witness: Gregory J. Meiman**

Q-39. Provide all current labor contracts and the most recent labor contracts previously in effect.

A-39. The current contract between LG&E and IBEW Local 2100 was effective November 6, 2017, see Attachment 1. The previous contract is Attachment 2.

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### **NON-DISCRIMINATION**

There shall be no discrimination by the Company or the Union in the application of the terms of this agreement because of race, color, religion, national origin, age, sex, handicap, or status as a disabled veteran or veteran of the Vietnam Era.

The use of the masculine or feminine gender in this Agreement shall be construed as including both genders and not a sex limitation unless the Agreement clearly requires a different construction.

dependent life insurance upon his/her date of hire. The details of the foregoing Plans shall be as specifically provided in the master plan documents covering the terms of such Plans.

**ARTICLE 28**  
**RETIREMENT INCOME PLAN AND DISABILITY**  
**BENEFITS**

SECTION 28.01: For employees employed by the Company on December 31, 2005, the Company will maintain in effect and pay the full cost for retirement income plan.

Effective January 1, 2018, the basic pension formula was amended as follows:

Effective 1/1/2018

Pay grades 1-5:	\$85 per month per year of service (maximum of thirty (30) years)
Pay grades 6-9:	\$99 per month per year of service (maximum of thirty (30) years)
Pay grades 10-14:	\$107 per month per year of service (maximum of thirty (30) years)

Effective 1/1/2019

Pay grades 1-5:	\$87 per month per year of service (maximum of thirty (30) years)
Pay grades 6-9:	\$102 per month per year of service (maximum of thirty (30) years)
Pay grades 10-14:	\$110 per month per year of service (maximum of thirty (30) years)

Effective 1/1/2020

Pay grades 1-5:	\$89 per month per year of service (maximum of thirty (30) years)
-----------------	--

Pay grades 6-9:	\$104 per month per year of service (maximum of thirty (30) years)
Pay grades 10-14:	\$113 per month per year of service (maximum of thirty (30) years)

Employees hired by the Company on or after January 1, 2006 are not eligible to participate in the retirement plan. Instead, they are eligible to participate in the retirement income account under the terms of the savings plan.

**SECTION 28.02:** There will be no interruption in the accumulation of retirement benefits under the Louisville Gas and Electric Company Bargaining Employees' Retirement Plan unless an employee's pay ceases. If the employee becomes entitled to additional "sick pay" after interruption of the employee's "sick pay" there will be no accumulation of retirement benefits for the period covered by the additional "sick pay." Accumulation of retirement benefits will be resumed after the employee returns to work.

If the employee's initial date of disability is after January 1, 2004 and the employee is receiving benefits under the Long-Term Disability Plan, the employee will continue to accrue Service and Credited Service under the Louisville Gas and Electric Company Bargaining Employees' Retirement Plan.

**SECTION 28.03:** A retired employee shall be entitled only to those benefits provided by the Louisville Gas and Electric Company Bargaining Employees' Retirement Plan which are in effect at the time of the employee's retirement. Any changes in the employee's Social Security benefits which become effective after the employee retires shall not reduce the benefits which the employee draws under the Plan.

**SECTION 28.04:** The Company may set reasonable requirements for advance notice to the Company by an

employee who elects to retire before age 65 but may, at its discretion, waive such requirements on an individual basis, for good cause, without any obligation similarly to waive such requirements in any other case.

**SECTION 28.05:** If the employee's initial date of disability is after January 1, 2004, the Company will provide the following Long-Term Disability benefits:

- (a) Employees who become totally and permanently disabled will be eligible for disability income under the Long Term Disability Plan if they have completed five (5) years of service at the time of disability.
- (b) The amount of monthly disability income payable to a disabled employee is determined as follows:

Sixty percent (60%) of the employee's basic monthly earnings computed at his straight-time hourly rate immediately prior to the time of disability, to a maximum benefit of \$15,000, reduced by;

- 1. One hundred percent (100%) of any Social Security Benefit, and
- 2. One hundred per cent (100%) of any benefits payable under Kentucky Workers' Compensation laws or the Workers' Compensation laws of any other State or benefits payable under any Federal government benefit plans.

**SECTION 28.06:** The Company shall amend the Plan to reflect the amendments to same as set forth in this Article 28. The Company reserves the right to make such Amendments to the Plan as are necessary to comply with the Employee Retirement Income Security Act of 1974, any amendments thereof or regulations pertaining thereto, and all other Federal or State laws or regulations.

**SECTION 28.07:** Employees covered by this Agreement will participate in the company's employee savings plan on the same basis as all other regular full-time employees of the Company.

**SECTION 28.08:** Employees hired by the Company on or after January 1, 2006, will be eligible for the retirement income account on the same basis as all other regular full-time employees of the Company.

#### **ARTICLE 29 GENERAL PROVISIONS**

**SECTION 29.01: Severe Weather -** The Company agrees that it will not require employees to work in exposed and unprotected areas during severe weather conditions except in the event of an emergency or where such work is necessary to protect life, limb, property or maintain continuity of service or operations. Where such severe weather conditions exists, which prevent an employee from performing his normal work, the employee may be assigned by his supervisor to other available work.

**SECTION 29.02: Supervisors Working -** The Company's intention is to not perform bargaining unit work with supervisors except in emergencies or training situations (including maintaining and updating the supervisor's own job knowledge and proficiency). The union agrees that it is not a violation of this section if a supervisor performs bargaining unit work due to an unscheduled absence of an employee during the first two (2) or last two (2) hours of a shift.

**SECTION 29.03: Commercial Drivers License (CDL)**

(a) The Company will reimburse an employee required to have a CDL in the performance of his duties an amount equal to the difference between the cost of the CDL and a standard drivers license.

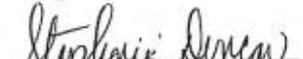
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative:

For the Company:  
Louisville Gas and Electric Company

For the Union:  
International Brotherhood of  
Electrical Workers  
Local 2100

  
Greg Meiman, VP Human Resources

Curtis Stratton, President/Business Mgr.

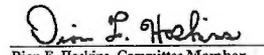
  
Stephanie Duncan, Mgr. Labor Relations

  
PJBreeding, Vice President

  
Paul Stratman, Mgr. Gas Operations

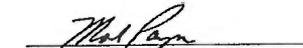
  
Cecil G. Milby, Committee Member

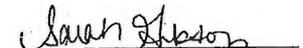
  
Jessica Wilson Mgr. Staffing Services

  
Dian F. Hoskins, Committee Member

  
Rob Calebs, Committee Member

  
Rob Calebs, Committee Member

  
Mark Payne, Mgr. Operations & Maintenance

  
Sarah Gibson, Human Resources Generalist

  
Sandra Miller, Sr. Human Resources Generalist

# AGREEMENT

between

LOUISVILLE GAS AND  
ELECTRIC COMPANY



and

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS



**IBEW**  
LOCAL 2100

2014 - 2017



**OFFICERS**

**PRESIDENT/BUSINESS MANAGER**

CURTIS STRATTON

**VICE-PRESIDENT**

GREG PURVIS

**RECORDING SECRETARY**

RANDY BARMORE

**TREASURER**

RICK RAYMER

**EXECUTIVE BOARD**

DANNY CLEMONS

TERRY CUNDIFF

DAVID JOYNER

CECIL MILBY

RON MILES

PHILLIP WALKER

CHIP WHEELER

**OFFICE PHONE NO.**

(502) 935-4010

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### **NON-DISCRIMINATION**

There shall be no discrimination by the Company or the Union in the application of the terms of this agreement because of race, color, religion, national origin, age, sex, handicap, or status as a disabled veteran or veteran of the Vietnam Era.

The use of the masculine or feminine gender in this Agreement shall be construed as including both genders and not a sex limitation unless the Agreement clearly requires a different construction.

- 1) \$5,000 for a spouse and \$2,500 on each child, or
- 2) \$10,000 for a spouse and \$5,000 on each child, or
- 3) \$25,000 for a spouse and \$10,000 on each child, or
- 4) \$50,000 for a spouse and \$20,000 on each child.\*

*\* Enrollment in this fourth option will be subject to medical evidence of insurability and regulations imposed by the Kentucky Department of Insurance.*

The employee will authorize payment of the applicable premium through payroll deduction.

SECTION 27.05: Effective 1/1/09, an employee is eligible to participate in the basic life insurance, accidental death and dismemberment insurance, optional life insurance and dependent life insurance upon his/her date of hire. The details of the foregoing Plans shall be as specifically provided in the master plan documents covering the terms of such Plans.

**ARTICLE 28  
RETIREMENT INCOME PLAN AND DISABILITY  
BENEFITS**

SECTION 28.01: For employees employed by the Company on December 31, 2005, the Company will maintain in effect and pay the full cost for retirement income under the terms of the Louisville Gas & Electric Company Bargaining Employees' Retirement Plan.

Effective January 1, 2015, the basic pension formula was amended as follows:

Effective 1/1/2015

Pay grades 1-5:	\$79 per month per year of service (maximum of thirty (30) years)
Pay grades 6-9:	\$92 per month per year of service (maximum of thirty (30) years)
Pay grades 10-14:	\$100 per month per year of service (maximum of thirty (30) years)

Effective 1/1/2016

Pay grades 1-5:	\$80 per month per year of service (maximum of thirty (30) years)
Pay grades 6-9:	\$94 per month per year of service (maximum of thirty (30) years)
Pay grades 10-14:	\$102 per month per year of service (maximum of thirty (30) years)

Effective 1/1/2017

Pay grades 1-5:	\$82 per month per year of service (maximum of thirty (30) years)
Pay grades 6-9:	\$97 per month per year of service (maximum of thirty (30) years)
Pay grades 10-14:	\$105 per month per year of service (maximum of thirty (30) years)

Employees hired by the Company on or after January 1, 2006 are not eligible to participate in the Louisville Gas and Electric Company Bargaining Employees' Retirement Plan. Instead they are eligible to participate in the Retirement Income Account (see Section 28.08) under the terms of the Louisville Gas and Electric Company Bargaining Employees' Savings Plan.

SECTION 28.02: There will be no interruption in the accumulation of retirement benefits under the Louisville Gas and Electric Company Bargaining Employees' Retirement Plan unless an employee's pay ceases. If the employee becomes entitled to additional "sick pay" after interruption of the employee's "sick pay" there will be no accumulation of retirement benefits for the period covered by the additional "sick pay." Accumulation of retirement benefits will be resumed after the employee returns to work.

If the employee's initial date of disability is after January 1, 2004 and the employee is receiving benefits under the Long-Term Disability Plan, the employee will continue to accrue Service and Credited Service under the Louisville Gas and Electric Company Bargaining Employees' Retirement Plan.

SECTION 28.03: A retired employee shall be entitled only to those benefits provided by the Louisville Gas and Electric Company Bargaining Employees' Retirement Plan which are in effect at the time of the employee's retirement. Any changes in the employee's Social Security benefits which become effective after the employee retires shall not reduce the benefits which the employee draws under the Plan.

SECTION 28.04: The Company may set reasonable requirements for advance notice to the Company by an employee who elects to retire before age 65 but may, at its discretion, waive such requirements on an individual basis, for good cause, without any obligation similarly to waive such requirements in any other case.

SECTION 28.05: If the employee's initial date of disability is after January 1, 2004, the Company will provide the following Long-Term Disability benefits:

- (a) Employees who become totally and permanently disabled will be eligible for disability income under the Long Term Disability Plan if they have completed five (5) years of service at the time of disability.
- (b) The amount of monthly disability income payable to a disabled employee is determined as follows:

Sixty percent (60%) of the employee's basic monthly earnings computed at his straight-time hourly rate immediately prior to the time of disability, to a maximum benefit of \$15,000, reduced by;

- 1. One hundred percent (100%) of any Social Security Benefit, and
- 2. One hundred per cent (100%) of any benefits payable under Kentucky Workers' Compensation laws or the Workers' Compensation laws of any other State or benefits payable under any Federal government benefit plans.

SECTION 28.06: The Company shall amend the Plan to reflect the amendments to same as set forth in this Article 28. The Company reserves the right to make such Amendments to the Plan as are necessary to comply with the Employee Retirement Income Security

Act of 1974, any amendments thereof or regulations pertaining thereto, and all other Federal or State laws or regulations.

**SECTION 28.07: Louisville Gas and Electric Company Bargaining Employees' Savings Plan: Eligibility to participate in the Louisville Gas and Electric Company Bargaining Employees Savings Plan is determined by the Plan and may be amended from time to time at the company's discretion provided that an employee is eligible to participate no later than the first day of the month on or after the three (3) month anniversary of his/her date of hire. Effective November 12, 2007, the Company matching contribution is 70 percent on employee contributions up to six (6) percent of covered compensation. Effective January 1, 2006, employees may contribute up to an additional 69 percent of covered compensation on a pre-tax, but unmatched basis, for a maximum of 75 percent. Effective January 1, 2006, employees age 50 or older may make "catch-up" contributions. Effective January 1, 2006, covered compensation shall include overtime and premium pay. Upon adoption by the LG&E and KU Energy LLC. Board of Directors, the Louisville Gas and Electric Company Bargaining Employees' Savings Plan will be amended effective January 1, 2008, to allow employee contributions to be made as Traditional 401(k), Roth 401(k), or a combination of both.**

**SECTION 28.08: Louisville Gas and Electric Company Bargaining Employees' Savings Plan: Employees hired by the Company on or after January 1, 2006, will be eligible for the Retirement Income Account under the terms of the Louisville Gas and Electric Company Bargaining Employees' Savings Plan. The Company will make an annual lump sum contribution based on the following schedule to the employee's Retirement Income Account.**

Years of Service as of January 1	Percent of Covered Compensation
Less than 6	3 percent
6 but less than 11	4 percent
11 but less than 16	5 percent
16 but less than 21	6 percent
21 or more	7 percent

The annual lump sum contribution will be made by April 1 of the applicable year and the employee will be immediately 100 percent vested. Such bargaining unit employees on the active payroll as of December 31 of the preceding year, regardless of whether the employee has satisfied the three month eligibility requirement, will receive this annual lump sum contribution. The details covering the provision of the Retirement Income Account will be as specifically provided in the master plan document covering the terms of the plan.

#### ARTICLE 29 GENERAL PROVISIONS

**SECTION 29.01: Severe Weather** - The Company agrees that it will not require employees to work in exposed and unprotected areas during severe weather conditions except in the event of an emergency or where such work is necessary to protect life, limb, property or maintain continuity of service or operations. Where such severe weather conditions exists, which prevent an employee from performing his normal work, the employee may be assigned by his supervisor to other available work.

**SECTION 29.02: Supervisors Working** - The Company's intention is to not perform bargaining unit work with supervisors except in emergencies or training situations (including maintaining and updating the supervisor's own job knowledge and proficiency). The union agrees that it is not a violation of this section if a supervisor performs bargaining unit work due to an unscheduled absence of an employee during the first two (2) or last two (2) hours of a shift.

**SECTION 29.03: Commercial Drivers License (CDL)**

- (a) The Company will reimburse an employee required to have a CDL in the performance of his duties an amount equal to the difference between the cost of the CDL and a standard drivers license.
- (b) The Company will pay for up to two tests and the associated fees for employees who are required to hold a CDL. Any fees associated with obtaining a CDL beyond the two tests must be paid for in full by the employee.

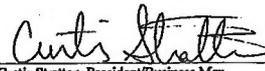
**SECTION 29.04: Should an employee suffer an occupational injury**

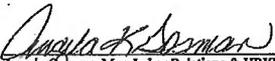
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Meiman  
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative:

For the Company:  
**Louisville Gas and  
Electric Company**

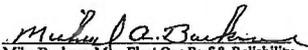
For the Union:  
**International Brotherhood of  
Electrical Workers  
Local 2100**

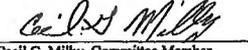
  
Paula Pottinger, SVP Human Resources

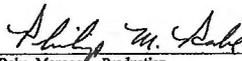
  
Curtis Stratton, President/Business Mgr.

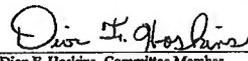
  
Angela Gorman, Mgr. Labor Relations & HRIS

  
Greg Purvis, Committee Member

  
Mike Buckner, Mgr. Fleet Ops Perf & Reliability

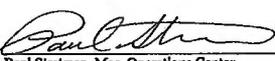
  
Cecil G. Milby, Committee Member

  
Phil Rabe, Manager - Production

  
Dion F. Hoskins, Committee Member

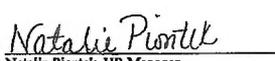
  
Bob Rose, Mgr. Louisville Electric Distribution

  
J. Breeding, Committee Member

  
Paul Stratman, Mgr. Operations Center

  
Rick Rayer, Committee Member

  
Stephanie Dunca, HR Manager

  
Natalie Piontek, HR Manager

**KENTUCKY UTILITIES COMPANY**

**Response to Commission Staff's First Request for Information  
Dated September 19, 2018**

**Case No. 2018-00294**

**Question No. 39**

**Responding Witness: Gregory J. Meiman**

Q-39. Provide all current labor contracts and the most recent labor contracts previously in effect.

A-39. The current contract between Kentucky Utilities Company and USW Local 9447-01 was effective August 1, 2017, see Attachment 1. The most recent previous contract is Attachment 2.

The current contract with KU IBEW Local 2100 was effective August 1, 2018. The final version has not been completed nor signed yet; see the current tentative agreement Attachment 3. The most recent previous contract is Attachment 4.

**COLLECTIVE BARGAINING AGREEMENT  
BETWEEN**

**EARLINGTON OPERATIONS,  
AREAS 1 (PARKWAY) AND  
2 (GREEN RIVER)  
OF KENTUCKY UTILITIES COMPANY**

**AND**

**THE UNITED STEEL, PAPER AND  
FORESTRY, RUBBER,  
MANUFACTURING, ENERGY,  
ALLIED INDUSTRIAL AND  
SERVICE WORKERS  
INTERNATIONAL UNION**

**\* \* \***

**Effective**

**August 1, 2017**

**to**

**August 1, 2020**

Case No. 2018-00294  
Attachment 1 to Response PSC-1 Question No. 39  
Page of 2 of 137  
Meiman

Case No. 2018-00294  
Attachment 1 to Response PSC-1 Question No. 39  
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Meiman

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be reduced by the number of hours used for this purpose.

In addition, unused sick leave hours as of 09/30/99 may be used to increase the pay an employee receives under the STD program in Article 18 for hours at 75% to 100%. The unused sick leave hours will be reduced by the number of hours used for this purpose.

In accordance with the provisions of the Company's retirement Annuity Plan, an employee's "credited service" at retirement as that term is defined in the Plan, will be increased by the number of that employee's unused days of sick leave as of his or her retirement date at a rate of 260 days being equal to one year of "credited service." Unused days exceeding, or less than, 260 will be expressed as a fraction of a year, as it is defined herein.

**ARTICLE XVIII**  
**HEALTH AND RETIREMENT BENEFITS**

During the term of this Agreement the Company will continue to provide the existing or no less favorable group life insurance, long-term disability insurance, retirement annuity and medical, including post-retirement medical insurance benefits, dental assistance program, employee savings plan, employee assistance program, dependent care assistance plan, and dependent life insurance plan, short term disability and workers' compensation supplement for members of the bargaining unit as are provided for other full time em-

ployees of the Company, except as described in 18.1 below. The details of such benefits shall be as specifically provided in master plan documents or insurance contracts covering the terms of such plans.

(A) payments for such benefits must be deductible as business expenses or contributions to a qualified plan, and (B) benefits provided through an insurance carrier shall be those provided by the policy or contract and such coverage must continue to be available from the same or another carrier on a reasonable basis. If occasion to change or discontinue any such benefits should arise under clause (A) or (B), the Company will notify the Union and the parties will promptly enter into negotiations as to the benefits to be changed or substituted. The Company will furnish identification cards for medical purposes. The Company will furnish each employee annually the amount of his accumulated sick leave and the aggregate amount of his contributions to the retirement plan.

With respect to medical benefits, to the extent that individual plan premiums exceed the Company's contribution, the employees will contribute the additional cost of premiums according to the plan they select. Contributions will be made monthly on a pre-tax basis.

A representative of this union will participate on a joint Health Care Task Force which will meet biannually to review trends in health care, review current Company Medical benefit plans, and make cost containment recommendations. The joint Health Care Task Force will also be charged with the responsibility of recom-

mending changes, including plan design changes and increases in co-pays on doctor visits and prescriptions. The task force will establish their priority as avoiding future increases in employee contributions to the extent practicable while maintaining the current quality of coverage. However, the Company retains the right in its sole discretion to modify the terms, conditions and level of benefits under these medical, so long as benefits for employees covered by this Agreement are the same as provided to other full-time employees of the Company.

#### **18.1 Retiree Medical Insurance**

A. Bargaining unit employees employed by the Company as of December 31, 2005 will be eligible for retiree medical benefits, the details of such benefits will be as specifically provided in the master plan documents or insurance contracts covering the terms of such plans. For employees retiring January 1, 2012 through December 31, 2014, the Company will contribute monthly up to \$200.00 toward the cost of a Company medical plan for the eligible retiree. Such \$200.00 credit shall continue until attainment of age 62, which at such time the credit shall increase to \$465.00. The \$465.00 credit shall continue until age attainment of age 65, which at such time the credit shall revert to \$200.00. Additionally, the eligible retiree's spouse or other dependent will be eligible for an additional \$100.00 toward the cost of his/her insurance premium. The maximum total monthly credit shall be either \$300.00 or \$565.00 depending upon the age of the former employee.

For bargaining unit employees employed by the Company as of December 31, 2005, who retire January 1, 2015 through December 31, 2017, the Company will contribute monthly up to \$210.00 toward the cost of a Company medical plan for the eligible retiree. Such \$210.00 credit shall continue until attainment of age 62, which at such time the credit shall increase to \$500.00. The \$500.00 credit shall continue until age attainment of age 65, which at such time the credit shall revert to \$210.00. Additionally, the eligible retiree's spouse or other dependent will be eligible for an additional \$100.00 toward the cost of his/her insurance premium. The maximum total monthly credit shall be either \$310.00 or \$600.00 depending upon the age of the former employee.

For Bargaining unit employees employed by the Company as of December 31, 2005, who retire January 1, 2018 or after, the Company will contribute monthly up to \$220.00 toward the cost of a Company medical plan for the eligible retiree. Such \$220.00 credit shall continue until attainment of age 60, which at such time the credit shall increase to \$510.00. The \$510.00 credit shall continue until age attainment of age 65, which at such time the credit shall revert to \$220.00. Additionally, the eligible retiree's spouse or other dependent will be eligible for an additional \$100.00 toward the cost of his/her insurance premium. The maximum total monthly credit shall be either \$320.00 or \$610.00 depending upon the age of the former employee.

B. Bargaining unit employees hired by the Company on or after January 1, 2006, will be eligible for the

same retiree medical benefits however, the Company<sup>Meiman</sup> premium contribution will be a lump sum account that will spring into existence on the eligible retiree's date of retirement. This Retiree Medical Account must be used for the sole purpose of paying for retiree medical coverage through the Company.

The initial lump sum amount will be determined based on the following formula:

1. For the retiree, \$2,500.00 per year of service after age 45, with a maximum initial account balance of \$37,500.
2. For the dependents, a total initial account balance equal to 50 percent of the initial account balance for the retiree.

On the date the eligible employee retires, the Company will fund this Retiree Medical Account. Once funded, the account balance will be credited with interest based on the 10-year Treasury rate subject to a four (4) percent minimum and a seven (7) percent maximum.

The retiree may elect to pay the age-related monthly premiums from the Retiree Medical Account in full or in part until the account balance reaches zero. Once the Retiree Medical Account is fully depleted, the retiree may continue medical coverage through the Company by paying 100 percent of the age-related monthly premiums.

The details covering the provisions of the Retiree Medical Account will be as specifically provided in the master plan document covering the terms of the plan.

**ARTICLE XIX**

Meiman

**TRANSFER OUT OF THE BARGAINING UNIT**

**19.1 Permanent Transfer**

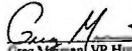
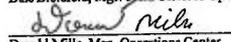
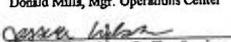
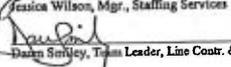
The selection of employees to be promoted to supervisory positions or to be transferred to other positions excluded from the bargaining unit shall be at the sole discretion of the Company, subject to the agreement of the employee. For the first sixty (60) calendar days the employee shall continue to accrue Seniority in the bargaining unit. If the Company transfers him back to the bargaining unit, or he asks to be removed from the position within the sixty (60) days period, he shall return to the bargaining unit and will be placed on the job he held prior to such promotion or transfer, or to another job in accordance with such accrued Seniority if an adjustment in the workforce has occurred during his absence. If he continues in the supervisory or other position outside the bargaining unit beyond the sixty (60) day period, his Seniority shall be broken and he shall lose all rights under this Agreement. The Company will notify the Unit Secretary of the date of permanent transfer.

**19.2 Temporary Transfer**

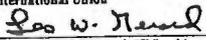
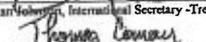
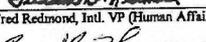
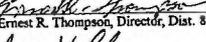
Should an employee covered by this Agreement temporarily be designated by the Company as a Temporary Supervisor to fill in temporarily for eight (8) hours or more for any regular supervisor such as during vacations, illness, death in the family, jury duty or other absences of a temporary nature, and the employee

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative.

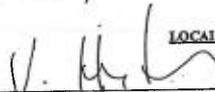
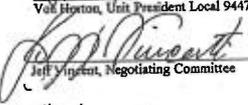
**For the Company:**  
Kentucky Utilities Company  
Earlington Operations, Areas 1 and 2

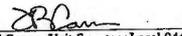
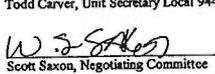
  
Greg Meiman, VP Human Resources  
  
Stephanie Dubois, Mgr. Labor Relations  
  
Dale Bielefeld, Mgr. Field Services Ops.  
  
Donald Mills, Mgr. Operations Center  
  
Jessica Wilson, Mgr. Staffing Services  
  
Dawn Smiley, Team Leader, Line Contr. & Maint

**For the Union:**  
United Steel, Paper and Forestry,  
Rubber, Manufacturing, Energy, Allied  
Industrial and Service Workers  
International Union

  
Leo W. Gerard, International President  
  
Starr Johnson, International Secretary-Treasurer  
  
Thomas Conway, International VP (Admin.)  
  
Fred Redmond, Intl. VP (Human Affairs)  
  
Ernest R. Thompson, Director, Dist. 8  
  
Joe Villines, Sub District Director

**LOCAL UNION COMMITTEE**

  
Vol Horton, Unit President Local 9447-01  
  
Jeff Vincent, Negotiating Committee  
  
Keith Walker, Negotiating Committee

  
Todd Carver, Unit Secretary Local 9447-01  
  
Scott Saxon, Negotiating Committee

his/her supervisor as soon as possible. If the employee is scheduled to work the day shift, the employee will report to work if there is at least four (4) hours remaining in the shift. If an employee is scheduled to work the night shift, such employee will work the first six (6) hours of the shift on the day(s) of the jury service. If the employee is held past 1400 hours, the employee will not report for day shift or will be relieved of duty for the night shift.

#### **10. BEREAVEMENT**

An employee will be paid 12 hours pay for days missed. The number of days for various family members will be as outlined in Article XVII, Section 17.1.

#### **11. SICK LEAVE PLAN**

Employees will have 40 hours to be taken as outlined in Article XVII, Section 17.4.

#### **12. RETIREMENT SERVICE**

Employees hired before 1/1/06 who are covered by the defined benefit pension plan will have up to 80 scheduled hours worked in a two week payroll period counted as straight time for purposes under the Pension Plan.

#### **13. VOTING TIME FOR ELECTIONS**

Employees who are scheduled to work day shift on the day of a federal, state, or local election will be allowed up to two (2) paid hours to vote if they wish to do so. It is understood that employees will only be allowed off for the minimum length of time they need

**COLLECTIVE BARGAINING AGREEMENT**  
**BETWEEN**

**EARLINGTON OPERATIONS,  
AREAS 1 (PARKWAY) AND  
2 (GREEN RIVER)  
OF KENTUCKY UTILITIES COMPANY**

**AND**

**THE UNITED STEEL, PAPER AND  
FORESTRY, RUBBER,  
MANUFACTURING, ENERGY,  
ALLIED INDUSTRIAL AND  
SERVICE WORKERS  
INTERNATIONAL UNION**

**\* \* \***

**Effective**

**August 1, 2014  
to  
August 1, 2017**

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used days of sick leave as of his or her retirement date at a rate of 260 days being equal to one year of "credited service." Unused days exceeding, or less than, 260 will be expressed as a fraction of a year, as it is defined herein.

**ARTICLE XVIII**  
**HEALTH AND RETIREMENT BENEFITS**

During the term of this Agreement the Company will continue to provide the existing or no less favorable group life insurance, long-term disability insurance, retirement annuity and medical, including post-retirement medical insurance benefits, dental assistance program, employee savings plan, employee assistance program, dependent care assistance plan, and dependent life insurance plan, short term disability and workers' compensation supplement for members of the bargaining unit as are provided for other full time employees of the Company, except as described in 18.1, 18.2, and 18.3 below. The details of such benefits shall be as specifically provided in master plan documents or insurance contracts covering the terms of such plans. (A) payments for such benefits must be deductible as business expenses or contributions to a qualified plan, and (B) benefits provided through an insurance carrier shall be those provided by the policy or contract and such coverage must continue to be available from the same or another carrier on a reasonable basis. If occasion to change or discontinue any such benefits should arise under clause (A) or (B), the Company will notify the Union and the parties will promptly enter into

gotiations as to the benefits to be changed or substituted. The Company will furnish identification cards for medical purposes. The Company will furnish each employee annually the amount of his accumulated sick leave and the aggregate amount of his contributions to the retirement plan.

The Company will assume an increase of 4% in each year of the Contract in medical and hospitalization expense per employee. To the extent this expense increases over 4% the employees will absorb increases up to the next 4%. Should the total increase exceed 8%, the Company and the employees will equally share in the balance of that expense.

With respect to medical benefits, to the extent that individual plan premiums exceed the Company's contribution, the employees will contribute the additional cost of premiums according to the plan they select. Contributions will be made monthly on a pre-tax basis.

A representative of this union will participate on a joint Health Care Task Force which will meet biannually to review trends in health care, review current Company Medical benefit plans, and make cost containment recommendations. The joint Health Care Task Force will also be charged with the responsibility of recommending changes, including plan design changes and increases in co-pays on doctor visits and prescriptions. The task force will establish their priority as avoiding future increases in employee contributions to the extent practicable while maintaining the current quality of coverage. However, the Company retains the right

in its sole discretion to modify the terms, conditions, and level of benefits under these medical, so long as benefits for employees covered by this Agreement are the same as provided to other full-time employees of the Company.

#### 18.1 Employee Savings Plan

The Company matching contribution under the LG&E and KU Savings Plan is 70 percent on employee contributions up to (6) percent of covered compensation.

#### 18.2 Retiree Medical Insurance

A. Bargaining unit employees employed by the Company as of December 31, 2005 will be eligible for retiree medical benefits, the details of such benefits will be as specifically provided in the master plan documents or insurance contracts covering the terms of such plans. For employees retiring January 1, 2012 through December 31, 2014, the Company will contribute monthly up to \$200.00 toward the cost of a Company medical plan for the eligible retiree. Such \$200.00 credit shall continue until attainment of age 62, which at such time the credit shall increase to \$465.00. The \$465.00 credit shall continue until age attainment of age 65, which at such time the credit shall revert to \$200.00. Additionally, the eligible retiree's spouse or other dependent will be eligible for an additional \$100.00 toward the cost of his/her insurance premium. The maximum total monthly credit shall be either \$300.00 or \$565.00 depending upon the age of the former employee.

For bargaining unit employees employed by the Com-

pany as of December 31, 2005, who retire January 1, 2015 or after, the Company will contribute monthly up to \$210.00 toward the cost of a Company medical plan for the eligible retiree. Such \$210.00 credit shall continue until attainment of age 62, which at such time the credit shall increase to \$500.00. The \$500.00 credit shall continue until age attainment of age 65, which at such time the credit shall revert to \$210.00. Additionally, the eligible retiree's spouse or other dependent will be eligible for an additional \$100.00 toward the cost of his/her insurance premium. The maximum total monthly credit shall be either \$310.00 or \$600.00 depending upon the age of the former employee.

B. Bargaining unit employees hired by the Company on or after January 1, 2006, will be eligible for the same retiree medical benefits however, the Company premium contribution will be a lump sum account that will spring into existence on the eligible retiree's date of retirement. This Retiree Medical Account must be used for the sole purpose of paying for retiree medical coverage through the Company.

The initial lump sum amount will be determined based on the following formula:

1. For the retiree, \$2,500.00 per year of service after age 45, with a maximum initial account balance of \$37,500.
2. For the dependents, a total initial account balance equal to 50 percent of the initial account balance for the retiree.

On the date the eligible employee retires, the

Company will fund this Retiree Medical Account. Once funded, the account balance will be credited with interest based on the 10-year Treasury rate subject to a four (4) percent minimum and a seven (7) percent maximum.

The retiree may elect to pay the age-related monthly premiums from the Retiree Medical Account in full or in part until the account balance reaches zero. Once the Retiree Medical Account is fully depleted, the retiree may continue medical coverage through the Company by paying 100 percent of the age-related monthly premiums.

The details covering the provisions of the Retiree Medical Account will be as specifically provided in the master plan document covering the terms of the plan.

### **18.3 Retirement Income Benefits**

Bargaining unit employees hired by the Company on or after January 1, 2006, will be eligible for the Retirement Income Account under the LG&E and KU Savings Plan instead of the LG&E and KU Retirement Plan. The Company will make an annual lump sum contribution based on the following schedule to the employee's Retirement Income Account in the LG&E and KU Savings Plan.

Years of Service as of January 1	Percent of Compensation (as defined under terms of LG&E and KU Savings Plan)
Less than 6	3 percent
6 but less than 11	4 percent
11 but less than 16	5 percent
16 but less than 21	6 percent
21 or more	7 percent

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The annual lump sum contribution will be made by April 1 of the applicable year and the employee will be immediately 100 percent vested. Such bargaining unit employees on the active payroll as of December 31 of the preceding year, regardless of whether the employee has satisfied the three month eligibility requirement, will receive this annual lump sum contribution. The details covering the provisions of the Retirement Income Account will be as specifically provided in the master plan document covering the terms of the plan.

**ARTICLE XIX**  
**TRANSFER OUT OF THE BARGAINING UNIT**

**19.1 Permanent Transfer**

The selection of employees to be promoted to supervisory positions or to be transferred to other positions excluded from the bargaining unit shall be at the sole discretion of the Company, subject to the agreement of the employee. For the first sixty (60) calendar days the employee shall continue to accrue Seniority in the bargaining unit. If the Company transfers him back

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative:

For the Company:  
Kentucky Utilities Company  
Earlington Operations, Areas 1 and 2

*Paula Dottinger*  
Paula Dottinger, SVP Human Resources  
*Angela N. Conman*  
Angela N. Conman, Mgr. Labor Relations  
*Scott Cook*  
Scott Cook, Mgr. Meter Design Strategy & Ops  
*Donald Mills*  
Donald Mills, Mgr. Operations Center  
*Tom Trimble*  
Tom Trimble, Human Resources Manager  
*Jessica Wilson*  
Jessica Wilson, Human Resources Manager  
*Jim Eshen*  
Jim Eshen, Mgr. Production - Green River  
*Lanny Faulkner*  
Lanny Faulkner, Mgr. Maint. - Green River

For the Union:  
United Steel, Paper and Forestry,  
Rubber, Manufacturing, Energy, Allied  
Industrial and Service Workers  
International Union

*Leo W. Gerard*  
Leo W. Gerard, International President  
*Stan Johnson*  
Stan Johnson, International Secretary-Treasurer  
*Thomas Conway*  
Thomas Conway, International VP (Admin.)  
*Fred Redmond*  
Fred Redmond, Intl. VP (Human Affairs)  
*Ernest R. Thompson*  
Ernest R. Thompson, Director, Dist. 8  
*Joe Villines*  
Joe Villines, Sub District Director

LOCAL UNION COMMITTEE

*Manny Wester*  
Manny Wester, President Local 9447-01  
*Vol Horton*  
Vol Horton, Negotiating Committee  
*Mark Davis*  
Mark Davis, Negotiating Committee  
*Keith Walker*  
Keith Walker, Negotiating Committee  
*Todd Carver*  
Todd Carver, Negotiating Committee

the night shift, such employee will work the first six (6) hours of the shift on the day(s) of the jury service. If the employee is held past 1400 hours, the employee will not report for day shift or will be relieved of duty for the night shift.

**10. BEREAVEMENT**

An employee will be paid 12 hours pay for days missed. The number of days for various family members will be as outlined in Article XVII, Section 17.1.

**11. SICK LEAVE PLAN**

Employees will have 40 hours to be taken as outlined in Article XVII, Section 17.4.

**12. RETIREMENT SERVICE**

Employees hired before 1/1/06 who are covered by the defined benefit pension plan will have up to 80 scheduled hours worked in a two week payroll period counted as straight time for purposes under the Pension Plan.

**13. VOTING TIME FOR ELECTIONS**

Employees who are scheduled to work day shift on the day of a federal, state, or local election will be allowed up to two (2) paid hours to vote if they wish to do so. It is understood that employees will only be allowed off for the minimum length of time they need to vote depending on their place of residence in relation to the plant.

**14. UNANTICIPATED ISSUES**

The Company and the Union realize there may be issues that arise concerning employees on a 12-hour shift.

## TENTATIVE AGREEMENT BETWEEN

Kentucky Utilities Company Old Dominion Power Company  
And  
International Brotherhood of Electrical Workers Local 2100

This documents an Agreement between the Kentucky Utilities Company Old Dominion Power Company (the Company) and the International Brotherhood of Electric Workers Local 2100 (the Union) regarding the Collective Bargaining Agreement for the period of August 1, 2018 through July 31, 2021.

Upon ratification the modified contractual language will become effective as follows:

### **Wages:**

Effective with the pay period begin date July 22, 2018, (upon first vote ratification) there shall be a 2.5% general wage increase applied to the wage rates in effect. There shall be a 2.5% general wage increase effective July 21, 2019. It is agreed to that the wages in effect for 2020 will be subject to a wage reopener.

### **Duration:**

- The duration of this Agreement is August 1, 2018 through July 31, 2021.

### **Article I Section 2 and Section 5 - Authorization for Dues, Agency Fees, Deductions, Etc.**

- Modified language to reflect Kentucky Right to Work legislation.

### **Article VII - Section 1 Probationary Period**

- Modified language to extend the probationary period for new employees from 120 days to 180 days. Employees are still eligible for on-call after they are trained and qualified.

**Article VII – Section 1:** The Company and the Union agree that it is necessary for the Company to hire additional employees, in excess of the number needed from time to time for normal operation, for the purpose of new construction work, unusual, seasonal or emergency maintenance or operating conditions, and to train such employees for replacement of, or additional to, its regular personnel. All such employees shall be classed as probationary employees until completion of one hundred eighty (180) days of continuous employment, during which the employee works for the Company, and during said time such employee shall acquire no seniority. Any employee, if still employed at the end of said one hundred eighty (180) day period, shall either be released from employment by the Company or placed upon the regular employee list, and if and when so placed upon the said regular employee list, his seniority shall begin from the date of

his original employment. There shall be no responsibility for reemployment of probationary employees if they are laid off or released during said period of one hundred eighty (180) days. However, any claim of personal prejudice or any claim of discrimination for Union activity in connection with the layoff or release of probationary employees shall be considered and decided through the grievance procedures.

**Article XIII - Section 12 On-Call**

- Increased the On-Call weekly compensation to **\$100** for Year 1, **\$125** for Year 2 and **\$150** of Year 3.
- Each employee who serves in a weekly On-Call status will be paid one hundred dollars (\$100) per week in year one of the contract, one hundred and twenty-five dollars (\$125) in year two of the contract and one hundred and fifty dollars (\$150) in year three of the contract. If an employee works on service calls outside his normal scheduled workday during his On-Call week, he will be paid for such time worked in accordance with Article XIII-Overtime.
- On-Call pay is provided to compensate the employee for the interruption of lifestyle being on-call contains. The on-call employee, in exchange for the on call pay agrees to remain available and fit to respond to call outs during the week they serve as the On-Call person. If an employee serves in an On-Call status for service calls for less than one (1) week, he will be paid one (1) hour's pay at his appropriate overtime rate in addition to time spent on any service calls for each day he serves in an On-Call status for service calls.

**Article XIII – Section 12 Dispatcher's Priority**

- Modified language to reflect the Distribution Control Center's after-hours process.
- Dispatcher's will make the first call to the "On-Call" person for that area.  
Exception: (a) there are other bargaining unit employees already working that can responds more quickly (b) the "On-Call" person for that area has been sent home to rest or has initiated a rest period.

**Article XV Section 1 – Sick Leave, Group Insurance, Survivors Insurance, Service Annuity, Medical Care Plan, Employee Savings Plan, Employee Assistance Program, Dependent Care Assistance Plan, Dependent Life Insurance Plan**

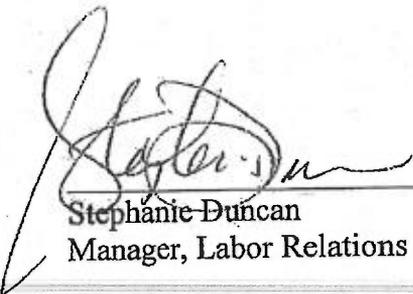
- Modified language removing the 4/4/50 formula. The Company will continue to provide the existing or no less favorable sick leave, group life insurance, long-term disability insurance, retirement annuity and medical, including post-retirement medical insurance benefits, dental assistance program, employee savings plan, employee assistance program, dependent care assistance plan, and dependent life insurance plan for members of the bargaining unit as are provided for other full time employees of the Company.

## Upgrade

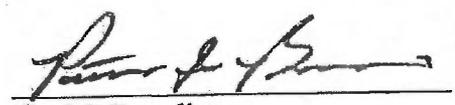
Classification	First Year In Classification	After One Year in Classification	After Two Years in Classification
<b>OLD RATE</b>			
Meter Technician A	\$35.44	\$37.38	\$39.69
<b>NEW RATE (includes 2.5%)</b>			
Meter Technician A	36.33	38.31	40.98

*To be placed in the minutes and tentative agreement but will not be placed in the Current Collective Bargaining Agreement:*

**COT Work Schedule Pilot Program** - The Company and Union upon ratification of the contract, agree to meet and discuss establishing a six (6) month pilot program for the Customer Order Technicians that will allow for modifications of the workday schedule.

  
Stephanie Duncan  
Manager, Labor Relations

7/30/18  
Date

  
Patrick Breeding  
President KU IBEW Local 2100

07-30-2018  
Date

**AGREEMENT**

between

**Kentucky Utilities Company  
Old Dominion Power Company**

and

**INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS**



**IBEW**  
LOCAL 2100

Effective  
August 1, 2015 to August 1, 2018



## **OFFICERS**

### **PRESIDENT/BUSINESS MANAGER**

CURTIS STRATTON

### **VICE-PRESIDENT**

P.J. BREEDING

### **RECORDING SECRETARY**

RANDY BARMORE

### **TREASURER**

RICK RAYMER

### **EXECUTIVE BOARD**

DANNY CLEMONS

TERRY CUNDIFF

PHILLIP WALKER

DAVID JOYNER

CECIL MILBY

RON MILES

CHIP WHEELER

### **OFFICE PHONE NO.**

(502) 935-4010

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**KENTUCKY UTILITIES COMPANY**

**Response to First Set of Data Requests of  
Kentucky Industrial Utility Customers, Inc.  
Dated November 13, 2018**

Case No. 2018-00294

**Question No. 60**

**Responding Witness: Gregory J. Meiman**

Q.1-60. Refer to the disallowance of costs referenced on pages 13-15 of the June 22, 2017 Order in Kentucky Utilities, Inc. Case No. 2016-00370 and to pages 16-17 of the June 22, 2017 Order in Louisville Gas and Electric Company Case No. 2016-00371. For employees who participate in a defined benefit plan, please provide the total and jurisdictional amount of matching contributions made on behalf of employees who also participate in any 401(k) retirement savings account if the Commission applied the same methodology for a similar disallowance in the instant proceeding.

A.1-60. In response to the Commission's order, the Company commissioned two independent studies to assess (1) the reasonableness of the benefit offerings and (2) the level of retirement benefits. Based upon those studies, the Company believes that the cost of providing retirement benefits is not excessive and should be a recoverable expense.

Although the Company disagrees with the assertion that this should be disallowed, in order to be responsive to this question the total match for employees who also participate in a defined benefit plan is \$2,152,591. Of this amount, the KU jurisdictional piece is \$2,018,838.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Set of Data Requests of  
Kentucky Industrial Utility Customers, Inc.  
Dated November 13, 2018**

**Case No. 2018-00295**

**Question No. 52**

**Responding Witness: Gregory J. Meiman**

Q.1-52. Refer to the disallowance of costs referenced on pages 13-15 of the June 22, 2017 Order in Kentucky Utilities, Inc. Case No. 2016-00370 and to pages 16-17 of the June 22, 2017 Order in Louisville Gas and Electric Company Case No. 2016-00371. For employees who participate in a defined benefit plan, please provide the total and jurisdictional amount of matching contributions made on behalf of employees who also participate in any 401(k) retirement savings account if the Commission applied the same methodology for a similar disallowance in the instant proceeding. Further distinguish jurisdictional costs between gas and electric operations.

A.1-52. In response to the Commission's order, the Company commissioned two independent studies to assess (1) the reasonableness of the benefit offerings and (2) the level of retirement benefits. Based upon those studies, the Company believes that the cost of providing retirement benefits is not excessive and should be a recoverable expense.

Although the Company disagrees with the assertion that this should be disallowed, in order to be responsive to this question the total match for employees who also participate in a defined benefit plan is \$1,802,247. Of this amount, \$1,369,708 dollars are allocated to electric and \$432,539 are allocated to gas.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY )  
KENTUCKY, INC. FOR: 1) AN ADJUSTMENT OF )  
THE ELECTRIC RATES; 2) APPROVAL OF AN ) CASE NO.  
ENVIRONMENTAL COMPLIANCE PLAN AND ) 2017-00321  
SURCHARGE MECHANISM; 3) APPROVAL OF )  
NEW TARIFFS; 4) APPROVAL OF ACCOUNTING )  
PRACTICES TO ESTABLISH REGULATORY )  
ASSETS AND LIABILITIES; AND 5) ALL OTHER )  
REQUIRED APPROVALS AND RELIEF )

ORDER

Duke Energy Kentucky, Inc. ("Duke Kentucky") is a jurisdictional electric utility that generates, transmits, distributes, and sells electricity to approximately 140,600 consumers in Boone, Campbell, Grant, Kenton, and Pendleton counties.<sup>1</sup> Duke Kentucky also is a utility engaged in purchasing, selling, storing, and transporting natural gas to approximately 98,200 customers in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton counties.<sup>2</sup> Its most recent general rate increase for its electric operations was granted in Case No. 2006-00172.<sup>3</sup>

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<sup>1</sup> Application at 2. *See also*, Direct Testimony of James P. Henning ("Henning Testimony") at 4.

<sup>2</sup> *Id.*

<sup>3</sup> Application at 4. Case No. 2006-00172, *Application of the Union Light, Heat and Power Company D/B/A Duke Energy Kentucky for an Adjustment of Electric Rates* (Ky. PSC Dec. 21, 2006).

## BACKGROUND

On September 1, 2017, Duke Kentucky filed an application requesting authorization to increase its electric base rate revenue to a new total of \$357.5 million, which reflects an increase from its current rates of approximately \$48.6 million.<sup>4</sup> The monthly residential electric bill increase due to the proposed electric base rates would be 17.1 percent, or approximately \$15.17, for a typical residential customer using 1,000 kWh of electricity.<sup>5</sup> Duke Kentucky subsequently revised its proposed revenue increase to \$30.12 million.<sup>6</sup> The revised revenue requirement would amount to an 11 percent increase, or approximately \$9.73, for a typical residential customer using 1,000 kWh of electricity each month.<sup>7</sup> Duke Kentucky states that the primary reason for the requested increase is that Duke Kentucky's earned rate of return on capitalization obtained from its current electric operations is 2.850 percent, which is inadequate to enable Duke Kentucky to continue providing safe, reasonable, and reliable service to its customers, and is insufficient to afford Duke Kentucky a reasonable opportunity to earn a fair return on its investment property that is used to provide such service while attracting necessary capital at reasonable rates.<sup>8</sup> In addition to the base rate increase, Duke Kentucky also is requesting authority to recover certain regulatory assets, including storm restoration expenses resulting from Hurricane Ike in 2008; research and development investments;

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<sup>4</sup> Application at 5.

<sup>5</sup> *Id.*

<sup>6</sup> Amended Rebuttal Testimony of Sarah E. Lawler at 1.

<sup>7</sup> Duke Kentucky's response to Commission Staff's Post-Hearing Data Request ("Staff's PH-DR"), Item 9.

<sup>8</sup> Application at 6.

incremental operations and maintenance ("O&M") related to the acquisition of the entirety of the East Bend Generating Station ("East Bend"); and O&M expenses related to the creation of a residential Advanced Metering Infrastructure ("AMI") opt-out tariff.<sup>9</sup>

Duke Kentucky also is proposing to implement a distribution reliability and integrity improvement plan that will be comprised of specific new and Commission-approved measures to enhance the safety and reliability of Duke Kentucky's distribution system.<sup>10</sup> Duke Kentucky requests to recover the costs of this plan through a surcharge mechanism called Rider Distribution Capital Investment ("Rider DCI").<sup>11</sup> Duke Kentucky proposes, as part of this application, a Targeted Underground program to improve distribution reliability by relocating at-risk overhead circuits to underground service.<sup>12</sup> Rider DCI would include incremental capital investment, depreciation, taxes, and a reasonable return that is incremental to base rates.<sup>13</sup> Rider DCI would be adjusted and subject to annual true-up following Commission review and approval; the annual application also would include any new reliability or integrity programs for Commission consideration and approval for implementation as part of Duke Kentucky's distribution integrity and reliability plan.<sup>14</sup>

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<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 13–14.

<sup>11</sup> *Id.*

<sup>12</sup> Application at 14.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

Also as part of the instant application, Duke Kentucky is requesting approval of an environmental compliance plan and the establishment of an environmental surcharge mechanism, both pursuant to KRS 278.183.<sup>15</sup>

Duke Kentucky is seeking approval of a new reconciliation mechanism to recover FERC-jurisdictional transmission expenses that Duke Kentucky incurs, incremental (above and below) to what is reflected in base rates ("Rider FTR").<sup>16</sup> According to Duke Kentucky, Rider FTR will operate much like its fuel adjustment clause ("FAC") and Accelerated Service Replacement Program in that such transmission costs will be filed regularly and subject to periodic review by the Commission.<sup>17</sup>

Lastly, Duke Kentucky also is proposing to modify the following existing policies and tariffs and implement the following new programs and measures: a voluntary Enhanced Customer Solutions, including optional billing alternatives and notifications; a revised FAC; a revised Profit Sharing Mechanism Rider ("Rider PSM"); a new LED street lighting tariff; and revisions to its cogeneration tariff.<sup>18</sup> Duke Kentucky submitted a depreciation study in support of its application, and requests that its proposed depreciation rates be approved.

By letter dated September 7, 2017, the Commission notified Duke Kentucky that its application was rejected because it contained filing deficiencies and that the application would not be deemed filed until the deficiencies were cured. Duke Kentucky submitted information on September 15, 2017, addressing the deficiencies. By Order

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<sup>15</sup> Application at 15.

<sup>16</sup> Application at 18–19.

<sup>17</sup> Application at 19.

<sup>18</sup> Application at 20.

dated September 27, 2017, the Commission determined that Duke Kentucky had cured all of the filing deficiencies and that Duke Kentucky's application was deemed filed as of September 15, 2017. The September 27, 2017 Order also found that the earliest date that Duke Kentucky's proposed rates could be effective was October 15, 2017. Pursuant to the September 27, 2017 Order, the Commission suspended Duke Kentucky's proposed rates for six months, up to and including April 14, 2018. Further, the September 27, 2017 Order established a procedural schedule for the processing of this matter, which provided for a deadline for filing intervention requests; two rounds of discovery upon Duke Kentucky's application; a deadline for the filing of intervenor testimony; one round of discovery upon any intervenor testimony; and an opportunity for Duke Kentucky to file rebuttal testimony.

The following parties were granted intervention in this proceeding: the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Kentucky School Board Association ("KSBA"); Kroger Company ("Kroger"); and Northern Kentucky University ("NKU").

The Commission held an information session and public meeting for the purpose of taking public comments on February 8, 2018, at Boone County High School in Florence, Kentucky. A formal hearing was held at the Commission's offices on March 6-8, 2018. Duke Kentucky provided responses to post-hearing data requests on March 23, 2018, and April 10, 2018. All of the parties filed simultaneous post-hearing briefs on April 2, 2018. The matter now stands submitted for a decision.

## REVENUE AND EXPENSES

### Contested Revenue Requirement Issues

Duke Kentucky originally proposed an annual increase in its electric revenues of \$48,646,213.<sup>19</sup> Duke Kentucky subsequently revised its requested revenue requirement increase to \$30,119,059.<sup>20</sup> The Attorney General is the only intervenor who presented evidence addressing Duke Kentucky's proposed revenue increase, arguing that Duke Kentucky should be required to decrease its electric revenues by \$11,901,000.<sup>21</sup> The Commission must consider the evidentiary record on these issues as presented by Duke Kentucky and the Attorney General and render a decision based on a determination of Duke Kentucky's capital, rate base, operating revenues, operating expenses, and revenue allocation.

### Test Period

Duke Kentucky proposes the 12-month period ending March 31, 2019, as the forecasted test period for determining the reasonableness of its proposed rates. None of the intervenors contested the use of this period as the test period. The Commission finds it is reasonable to use the 12-month period ending March 31, 2019, as the test period in this case. That 12-month period is the most feasible period to use for setting rates based on the timing of Duke Kentucky's filing and, except for the adjustments approved herein, the revenues and expenses incurred during that period are neither unusual nor

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<sup>19</sup> Application, Schedule C-1.

<sup>20</sup> Amended Rebuttal Testimonies of William Don Wathen, Jr. and Sarah E. Lawler ("Amended Rebuttal Testimonies of Wathen and Lawler") at page 3.

<sup>21</sup> Testimony Errata for Lane Kollen at page 4. In his Post-Hearing Brief, the Attorney General revised his recommended decrease to \$14.839 million.

extraordinary. In using this forecasted test period, the Commission has given full consideration to appropriate known and measurable changes.

#### Jurisdictional Rate Base Ratio

Duke Kentucky proposed a test-year-end Kentucky jurisdictional rate base of \$700,204,561.<sup>22</sup> The Kentucky jurisdictional electric rate base is divided by Duke Kentucky's test-year-end total company electric rate base to derive the Kentucky jurisdictional electric rate base ratio ("Jurisdictional Ratio") for Duke Kentucky. This Jurisdictional Ratio is then applied to Duke Kentucky's total company electric capitalization to derive its Kentucky jurisdictional electric capitalization. The Jurisdictional Ratio uses the test-year-end rate base before any ratemaking adjustments applicable to either Kentucky jurisdictional operations or other jurisdictional operations. Duke Kentucky used a Jurisdictional Ratio of 100 percent.<sup>23</sup> The Commission has reviewed and agrees with the calculation of Duke Kentucky's test-year electric rate base for purposes of establishing the Jurisdictional Ratio.

#### Pro Forma Jurisdictional Rate Base

Duke Kentucky calculated a pro forma jurisdictional rate base of \$700,204,561,<sup>24</sup> which reflects the types of adjustments made by the Commission in prior rate cases to determine the pro forma rate base. The Attorney General provided testimony and several adjustments to Duke Kentucky's proposed rate base as discussed below. The Commission finds seven adjustments are warranted to Duke Kentucky's rate base. The

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<sup>22</sup> Application, Schedule B-1.

<sup>23</sup> *Id.*, Schedule B-7.

<sup>24</sup> *Id.*, Schedule B.1. Duke Kentucky is not requesting to include recovery of Construction Work in Progress in base rates.

Commission finds that the excess amortization of the Carbon Management Research Group regulatory asset in the test year and the amortization of excess accumulated deferred income tax ("ADIT") should be added to the rate base. The Commission also finds that the East Bend Operations and Maintenance Expense ("East Bend O&M") regulatory asset, the East Bend Ash Pond Asset Retirement Obligation ("East Bend Ash Pond ARO") regulatory asset, the reduction in cash working capital ("CWC"), and the reduction in depreciation expense as discussed herein due to the Commission's decision to deny use of the Equal Life Group ("ELG") procedure and require use of the Average Life Group ("ALG") procedure for computing depreciation rates, net of the related ADIT as found reasonable herein, should be removed from rate base.

The Commission accepts Duke Kentucky's proposed amortization of the protected excess ADIT. The amortization for the protected excess ADIT is based upon the Average Rate Assumption Method ("ARAM"). For the unprotected excess ADIT, the Attorney General initially proposed a 20-year amortization period.<sup>25</sup> Subsequently, the Attorney General proposed a five-year amortization period for the unprotected excess ADIT but did not amend his testimony to reflect the change in the amortization period.<sup>26</sup> The Commission finds that a reasonable amortization period for the excess ADIT for Duke Kentucky's unprotected assets should be 10 years. A 10-year amortization period for the unprotected excess ADIT will balance the impact to Duke Kentucky's cash flow and provide ratepayers the full benefit of the reduction in the federal corporate income tax in a timely manner. As a result of the foregoing adjustments, the Commission finds the total

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<sup>25</sup> *Id.*

<sup>26</sup> March 8, 2018, Video Transcript of Evidence at 3:35:00.

test-year amortization for the total excess ADIT to be \$4,471,984, which is an increase of \$1,651,639 over the amount proposed by Duke Kentucky. The Commission finds that the amortization of the excess ADIT related to protected and unprotected excess ADIT found reasonable herein should be removed from Duke Kentucky's ADIT, which increases its rate base. Therefore, Duke Kentucky's rate base should be increased by \$4,471,984 for this adjustment.

Duke Kentucky deferred \$2 million it incurred to fund carbon management research by the Carbon Management Research Group ("CMRG"). In Case No. 2008-00308, Duke Kentucky sought and obtained authorization from the Commission to defer these costs for accounting purposes.<sup>27</sup> The regulatory asset, net of ADIT, is included in the capitalization in this proceeding. In the instant matter, Duke Kentucky sought to recover the amortization of the deferred asset over a five-year period at \$400,000 per year. In the Commission's Order in Case No. 2008-00308, it stated that the CMRG regulatory asset will be amortized over a 10-year period or \$200,000 per year. Therefore, the Commission finds that the Duke Kentucky's capitalization should be increased by \$200,000 to reflect the proper amount of the regulatory asset in the rate base.

The Commission finds that the ADIT arising from its requirement to change Duke Kentucky's procedure for computing depreciation rates from the ELG to the ALG procedure should reduce Duke Kentucky's rate base. As discussed in the testimony of the Attorney General, the ELG procedure front-loads depreciation expense in earlier

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<sup>27</sup> Case No. 2008-00308, *Joint Application of Duke Energy Kentucky, Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving Accounting Practices to Establish Regulatory Assets* (Ky. PSC Oct. 30, 2008).

years and decreases it in the later years of an asset's depreciable life, creating a mismatch of revenues and expenses.<sup>28</sup> The Attorney General states that the ALG procedure is the dominant procedure for other electric utilities, including all other electric utilities in Kentucky.<sup>29</sup> Therefore, the Commission finds that the Attorney General's position on this issue is reasonable and that Duke Kentucky should use the ALG procedure for computing depreciation rates, and that its rate base should be reduced by \$2,733,299 to reflect the increase in ADIT.

The East Bend O&M regulatory asset was approved by the Commission in Case No. 2014-00201.<sup>30</sup> In addition, in that proceeding, the Commission authorized Duke Kentucky to defer carrying charges on the O&M expense at its cost of debt. The Attorney General disputed the amount of the regulatory asset and made a recommendation of the amount of amortization assuming that the regulatory asset was included in rate base.<sup>31</sup>

The Commission finds that the East Bend O&M regulatory asset should be removed from rate base and Duke Kentucky's request to amortize the East Bend O&M regulatory asset over a 10-year period is reasonable and should be approved. The Commission also finds that carrying charges should be based on the cost of debt approved herein. This adjustment reduces Duke Kentucky's rate base by \$36,540,123.

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<sup>28</sup> Direct Testimony of Lane Kollen ("Kollen Testimony") beginning at 31.

<sup>29</sup> *Id.* at 32

<sup>30</sup> Case No. 2014-00201, *Application of Duke Energy Kentucky, Inc. for (1) a Certificate of Public Convenience and Necessity Authorizing the Acquisition of the Dayton Power & Light Company's 31% Interest in the East Bend Generating Station; (2) Approval of Duke Energy Kentucky, Inc.'s Assumption of Certain Liabilities in Connection with the Acquisition; (3) Deferral of Costs Incurred as part of the Acquisition; and (4) All Other Necessary Waivers, Approvals and Relief* (Ky. PSC Dec. 4, 2014).

<sup>31</sup> Kollen Testimony at 31.

The East Bend Ash Pond ARO was approved by the Commission in Case No. 2015-00187.<sup>32</sup> Duke Kentucky proposed that the East Bend Ash Pond ARO amortization be recovered through the Environmental Surcharge Mechanism ("ESM") in its application. In addition, Duke Kentucky requested a 10-year amortization period. The Attorney General proposed that the East Bend Ash Pond ARO be removed from capitalization, as it was erroneous for Duke Kentucky to include it in both its ESM rider rate base and in base rates. The Commission finds the East Bend Ash Pond ARO should not be included in base rates because that amount is proposed to be recovered through Duke Kentucky's ESM. The Commission also finds that a 10-year amortization period is reasonable and should be approved. The parties have agreed upon this issue. This adjustment reduces Duke Kentucky's rate base by \$18,509,346.

The CWC allowance included in rate base shown below is based on the adjusted operation and maintenance expenses discussed in this Order, as approved by the Commission. This adjustment reduces Duke Kentucky's rate base by \$2,008,320.

Based on the Commission's finding herein where it denied Duke Kentucky's proposal to use ELG procedure rather than the ALG procedure for computing depreciation rates, the Commission finds that Duke Kentucky's accumulated depreciation in its rate base should be increased by \$6,919,475.

We have determined Duke Kentucky's pro forma jurisdictional rate base for rate-making purposes for the test year to be as follows:

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<sup>32</sup> Case No. 2015-00187, *Application of Duke Energy Kentucky, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Liabilities Associated with Ash Pond Asset Retirement Obligations* (Ky. PSC Dec. 15, 2015).

Total Utility Plant in Service	\$1,675,994,650
Add:	
Cash Working Capital Allowance	12,207,087
Other Working Capital Allowances	40,420,974
Subtotal	<u>\$52,628,061</u>
Deduct:	
Accumulated Depreciation	839,228,648
Accumulated Deferred Income Taxes	237,388,861
Subtotal	<u>\$1,076,617,509</u>
Pro Forma Rate Base	<u>\$652,005,202</u>

Reproduction Cost Rate Base

KRS 278.290 (1) states, in relevant part, that:

the commission shall give due consideration to the history and development of the utility and its property, original cost, cost of reproduction as a going concern, capital structure, and other elements of value recognized by the law of the land for rate-making purposes.

Neither Duke Kentucky nor the Attorney General provided information relative to Duke Kentucky's proposed Kentucky jurisdictional reproduction cost rate base. Therefore, the Commission finds that using Duke Kentucky's historic costs for deriving its rate base is appropriate and consistent with Commission precedents involving Duke Kentucky as well as other Kentucky jurisdictional utilities.

## Revenue and Expenses

For the test year, Duke Kentucky reported actual net operating income from its electric operations of \$19,212,679.<sup>33</sup> Duke Kentucky proposed 33 adjustments to revenues and expenses to reflect more current and anticipated operating conditions, resulting in an adjusted net operating income of \$20,091,071.<sup>34</sup> Through discovery, this amount was adjusted to \$38,533,427. With this level of net operating income, Duke Kentucky reported an adjusted test-year revenue deficiency of \$30,119,059.<sup>35</sup>

The Attorney General accepted 28 of Duke Kentucky's proposed adjustments to its test-year revenues and expenses; adjustments that are also acceptable to the Commission.<sup>36</sup> A list of the accepted adjustments is contained in the attached Appendix A.

The Attorney General proposed 17 adjustments to Duke Kentucky's operating income. Through discovery, the Attorney General and Duke Kentucky agreed on four of the operating income issues. The four items agreed upon are the inclusion of PJM make-whole and other revenues not included in Duke Kentucky's revenue forecast, the reduction in RTEP charges, the CMRG regulatory amortization expense, and the reduction in income tax expense for the research tax credits. The remaining operating income issues relate to: 1) including off-system sales ("OSS") margins to reset Rider PSM to zero; 2) reduce replacement power expense; 3) reduce vegetation management

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<sup>33</sup> Application, Schedule C-2.

<sup>34</sup> *Id.*

<sup>35</sup> Amended Rebuttal Testimonies of Wathen and Lawler at 3.

<sup>36</sup> Appendix A shows the 33 adjustments to revenues and expenses accepted by the Attorney General.

expense to historic levels; 4) reduce planned outage O&M normalization; 5) reduce incentive compensation expense tied to financial performance; 6) reduce retirement plan expense; 7) increase AMI benefit levelization adjustment; 8) reduce amortization of East Bend regulatory asset to reflect lower O&M expense prior to test year; 9) reduce depreciation expense by using the ALG procedure; 10) reduce depreciation expense by removing terminal net salvage for generating units; 11) reduce remaining net salvage value included in depreciation expense; 12) reduce income tax expense to reflect reduction in federal rate; and, 13) reduce income tax expense to reflect amortization of excess ADIT, which the Commission makes the following conclusions listed below. In addition, the Commission has a discussion on the impacts of the Tax Cuts and Jobs Act ("TCJA") which was enacted on December 23, 2017.

These adjustments, and the discussion and findings thereon pertain solely to Duke Kentucky's base-rate revenue requirements. In addition to base rates, Duke Kentucky's application includes a number of proposed riders or surcharges. On the various base-rate adjustments, the Commission makes the following findings:

Rider PSM Margins

Duke Kentucky proposes to continue to include all OSS margins in the Rider PSM and that the margins be shared between customers and shareholders. Currently, ratepayers receive the benefit of the first \$1 million and any margins above \$1 million are shared 75 percent to ratepayers and 25 percent to shareholders. Duke Kentucky proposes to have all margins shared 90 percent to ratepayers and 10 percent to shareholders. In response to Staff's Post-Hearing Data Request, Item 11, regarding a comparison of the level of sharing under the current methodology and under the proposed

change for the last three years, if Duke Kentucky's proposed split had been in effect for the years 2015, 2016, and 2017, customers would have benefited by an additional \$2.1 million in 2015, \$0.8 million in 2016, and \$1.6 million in 2017.

The Attorney General recommends the forecasted OSS margins be removed from Rider PSM and be included as a reduction to base rates. The Attorney General states that the Commission has historically included OSS margins in the base revenue requirement and contemporaneously reset the relevant sharing mechanism to \$0. The impact of this adjustment would be to reduce Duke Kentucky's proposed revenue requirement by \$3.826 million.

The Commission finds that Duke Kentucky's proposal to not include PSM margins in base rates is reasonable and should be approved because the proposal would provide savings to its customers. The other Duke Kentucky proposals related to Rider PSM are discussed in the Proposed Tariff Changes section of this Order.

#### Replacement Power Expense

Duke Kentucky proposes to include \$5.668 million that cannot be recovered through the FAC as replacement power expense for the incremental fuel and other expenses due to unplanned outages at the East Bend Station.<sup>37</sup> Duke Kentucky also requests authority to defer replacement power expense greater than or less than the expense included in the base rate requirement, subject to future review for ratemaking recovery.

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<sup>37</sup> Duke Kentucky's response to the Attorney General's First Set of Data Requests ("AG's First Request"), Item 11.

The Attorney General argues that Duke Kentucky's forecasted replacement power expense is excessive compared to the actual replacement power expense of the East Bend Station for the last three years.<sup>38</sup> Based on the average actual replacement power expense of \$1.610 million for the years 2015–2017, the Attorney General recommends Duke Kentucky's purchased power expense be reduced by \$4.058 million. The Attorney General, however, agrees that Duke Kentucky should be authorized to establish a deferral mechanism for those incremental amounts greater than or less than what is in base rates for replacement power expense.<sup>39</sup>

The Commission agrees with the Attorney General's recommendation to reduce replacement power expense by \$4.058 million, as Duke Kentucky's proposed adjustment is significantly greater than its actual costs for the prior three years (2015-2017). The changes in Duke Kentucky's generation mix, the abnormal purchased power costs in 2014 due to the polar vortex, and the use of future years in the computation of the replacement power expense make Duke Kentucky's proposed adjustment unreasonable relative to historical normalized costs. The Commission also finds that Duke Kentucky's proposed deferral mechanism is reasonable and should be approved.

#### Vegetation Management Expense

Duke Kentucky proposed a vegetation management expense of \$4.480 million in its application.<sup>40</sup> This number is based in part upon Duke Energy Business Services' ("DEBS") experience in the Midwest market in its three jurisdictions (Kentucky, Indiana,

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<sup>38</sup> Kollen Testimony at 11.

<sup>39</sup> *Id.* at 12.

<sup>40</sup> Duke Kentucky's response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 18.

and Ohio) for the period that extends into the first quarter of 2019. The proposed amount for the vegetation management expense represents an increase of \$2.879 million over the base period amount.

Duke Kentucky states that its vegetation management service is almost exclusively performed by outside contractors.<sup>41</sup> It maintains that the large increase was primarily due to market forces as resources eligible to properly engage in vegetation management activities have become constrictive and extremely competitive for limited qualified resources.<sup>42</sup> Duke Energy Corporation contracts for vegetation management services throughout its service territory.<sup>43</sup> Its sourcing specialists engage in a Request for Proposal ("RFP") process to seek out companies that can provide the best service at the least cost throughout its entire service territory.<sup>44</sup> Duke Energy Corporation issued a RFP for vegetation management services for calendar years 2018 through 2020. Duke Kentucky chose a contractor who could perform the required service, but it resulted in a substantially higher cost than it had historically incurred.

Duke Kentucky maintains that it is not cost-effective for a supplier to split up vegetation management services by a smaller geographic area in its service territory.<sup>45</sup> Duke Kentucky further states that the means to gain the most effective contract pricing is to have sufficient work to keep a contractor's resources working all year, and that

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<sup>41</sup> April N. Edwards Rebuttal Testimony at 5.

<sup>42</sup> *Id.* at 6.

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> Duke Kentucky's response to Staff's Post-Hearing Data Request, Item 2.b.

subdividing its zone into smaller segments would not provide enough work to allow that to take place.<sup>46</sup>

The Attorney General argued that Duke Kentucky's proposed vegetation management expense is excessive compared to the company's actual expense in the years 2012 through 2016, which ranged from a low of \$1.774 million to a high of \$2.309 million, with an average of \$2.080 million.<sup>47</sup> The Attorney General recommended the Commission use a more realistic forecast based on the actual average expense mentioned above, which results in a reduction in vegetation management expense of \$2.400 million.

The Commission has reviewed the confidential cost-benefit study<sup>48</sup> and other information related to vegetation management expense in the record of this case. We understand the market forces that have influenced this area of expense. However, we are concerned about the large increase and will require Duke Kentucky to study this issue further in order to find ways of making its vegetation management more cost-effective.

The Commission finds Duke Kentucky's proposed vegetation management expense should be reduced by \$0.444 million, based on deducting the four-year average for fiscal years ending March 31, 2019, through March 31, 2022, of \$4,035,571 from Duke Kentucky's proposed test year amount of vegetation management expense of \$4,479,887.<sup>49</sup> Further, the Commission finds that, in conjunction with its next Master

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<sup>46</sup> *Id.*

<sup>47</sup> Kollen Testimony at 15.

<sup>48</sup> Duke Kentucky's response to the Attorney General's Post-Hearing Data Request, Item 4.

<sup>49</sup> Duke Kentucky response to Commission Staff's Third Request for Information ("Staff's Third Request"), Item 14.

Agreement for Vegetation Management Service ("MAVMS") contract, DEBS, in conjunction with Duke Kentucky, should bid the next MAVMS contract for the Midwest market that includes Kentucky, Indiana, and Ohio, and for a smaller geographic area limited to Duke Kentucky's service territory. The smaller geographic area should include Duke Kentucky's service territory by itself or by county or such other discrete area(s) within its service territory that it deems to be reasonable. Duke Kentucky shall provide an update of this process in its annual Vegetation Management Plan ("VMP") filings beginning with the 2019 VMP.

#### Planned Outage Expense

Duke Kentucky's forecasted test year included \$8.400 million in East Bend planned outage expense, which was calculated based on the average of the actual expense for years 2013 through 2016 and forecast expense for years 2017 and 2018.<sup>50</sup> Duke Kentucky also requests authority to defer any actual planned outage expense that is more or less than the normalized planned outage expense included in its base rates.

The Attorney General contends that the amount is excessive because Duke Kentucky failed to include the forecast expense for 2019, which would have reduced the average amount of planned outage expenses to \$7.200 million.<sup>51</sup> The Attorney General recommends reducing Duke Kentucky's revenue requirement by \$1.200 million for the planned outage expense.<sup>52</sup> The Attorney General also recommends denying Duke Kentucky's request for a new accounting deferral mechanism for its planned outage

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<sup>50</sup> Duke Kentucky's response to Staff's Second Request, Item 23.

<sup>51</sup> Kollen Testimony at 16.

<sup>52</sup> *Id.* at 17.

expense, arguing that such a mechanism would remove any incentive for Duke Kentucky to minimize planned outage costs.

The Commission finds that Duke Kentucky's planned outage expense should be reduced by \$1.223 million based on Commission precedent of using the average of four historical and four projected years for the calculation.<sup>53</sup> The Commission also finds Duke Kentucky's request for a deferral mechanism is reasonable and should be approved.

#### Incentive Compensation

Duke Kentucky included \$1.634 million of incentive compensation plan expense tied to financial performance in its test year.<sup>54</sup> The Attorney General recommends reducing Duke Kentucky's incentive compensation expense tied to Duke Kentucky's financial performance by \$1.634 million.<sup>55</sup>

Duke Kentucky argues that its incentive compensation plans are designed to be market-based and competitive and that disallowing recovery of a portion of its compensation program would place Duke Kentucky at a competitive disadvantage and hinder its ability to attract the talent the company needs to run a safe, efficient, and reliable electric system.<sup>56</sup> Duke Kentucky asserts that the earnings-per-share ("EPS") or total-shareholder-reward metrics, whether tied to long-term or short-term incentive compensation, encourage eligible employees to reduce expenses, operate efficiently,

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<sup>53</sup> Duke Kentucky's response to Staff's Post-Hearing Request, Item 12.

<sup>54</sup> Kollen Testimony at 21.

<sup>55</sup> *Id.*

<sup>56</sup> Thomas Silinski Rebuttal Testimony ("Silinski Rebuttal Testimony") at 2.

and conserve financial resources, all of which inure to the benefit of ratepayers by keeping rates competitive.<sup>57</sup>

The Attorney General asserts that Duke Kentucky included \$0.751 million in Short-Term Incentive Plan expense tied to the achievement of earnings per share and \$0.883 million in Long-Term Incentive Plan expense paid in the form of performance shares and restricted stock units tied primarily to Duke Kentucky's financial performance. The Attorney General argues that the Commission has historically disallowed all incentive compensation expenses from the revenue requirement that were incurred to incentivize the achievement of shareholder goals as measured by financial performance.

The Commission is in agreement with the Attorney General on this matter. Incentive criteria based on a measure of EPS, with no measure of improvement in areas such as service quality, call-center response, or other customer-focused criteria, are clearly shareholder-oriented. As noted in Case Nos. 2010-00036<sup>58</sup> and 2013-00148,<sup>59</sup> the Commission has long held that ratepayers receive little, if any, benefit from these types of incentive plans. It has been the Commission's practice to disallow recovery of the cost of employee incentive plans that are tied to EPS or other earnings measures and we find that Duke Kentucky's argument to the contrary does nothing to change this holding, as it is unpersuasive. The Commission finds the Attorney General's position is

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<sup>57</sup> *Id.*

<sup>58</sup> Case No. 2010-00036, *Application of Kentucky-American Water Company for an Adjustment of Rates Supported by a Fully Forecasted Test Year* (Ky. PSC Dec. 14, 2010).

<sup>59</sup> Case No. 2013-00148, *Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications*, (Ky. PSC Apr. 22, 2014).

reasonable and that Duke Kentucky's incentive compensation expense should be reduced by \$1.634 million.

#### Retirement Plan Expense

Duke Kentucky included \$1.580 million in retirement plan expense related to its employees or its affiliates' employees who were covered by both a defined dollar benefit ("DDB") plan and a defined contribution ("DC") plan.<sup>60</sup>

The Attorney General recommends reducing Duke Kentucky's retirement plan expense by \$1.584 million based on recent decisions in which the Commission denied recovery of retirement expenses in which a utility made contributions to both a DDB pension plan and a DC plan for certain employees.<sup>61</sup>

Duke Kentucky contends that the Attorney General has offered no justification as to why the company's test-year retirement plan expense is unreasonable.<sup>62</sup> Duke Kentucky argues that it has significantly reduced retirement-related expenses by transitioning many employees eligible for pension benefits from a DDB plan to a less rich formula and partially utilizing those pension savings to enhance DC 401(k) matching formulas.<sup>63</sup> Duke Kentucky states that it has aggressively managed costs related to its retirement benefits program by closing the DDB pension plans to new hires, and, for existing employees, lock and freezing final average pay benefit formulas for all non-union employees and transitioning those employees from a final average pay formula to a more

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<sup>60</sup> Duke Kentucky's response to Staff's Post-Hearing Request, Item 4.

<sup>61</sup> Kollen Testimony at 19-21.

<sup>62</sup> Silinski Rebuttal Testimony at 9.

<sup>63</sup> *Id.*

"Defined Contribution like" cash balance benefit formula.<sup>64</sup> Lastly, Duke Kentucky asserts that its benefits packages, including retirement programs, as a whole are designed to be market competitive and are benchmarked to ensure that is the case.<sup>65</sup>

The Commission is in partial agreement with Duke Kentucky on this issue and concludes that Duke Kentucky's retirement plan expense should be accepted as proposed. However, the Commission notes that the changes Duke Kentucky has made to the DDB pension plan were not applicable to union employees.<sup>66</sup> We will not make a distinction between union and non-union employees at this time in order to provide Duke Kentucky an opportunity to address these costs prior to its next base rate case, as rate recovery of these duplicative pension contributions for union employees will be evaluated for appropriateness as part of its next base rate case.

#### AMI Benefit Levelization Adjustment

Duke Kentucky incorporated an AMI benefit levelization adjustment, as required by the stipulation approved by the Commission in Case No. 2016-00152,<sup>67</sup> of \$2.321 million.<sup>68</sup> However, Duke Kentucky's calculation of the AMI benefit was based on the net present value annual savings forecast for the five years from 2018 through 2022.

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<sup>64</sup> Duke Energy Kentucky Inc.'s Brief at 57.

<sup>65</sup> *Id.* at 9–10.

<sup>66</sup> Duke Energy Kentucky Inc.'s Brief at 57.

<sup>67</sup> 2016-00152, *Application of Duke Energy Kentucky, Inc. for (1) A Certificate of Public Convenience and Necessity Authorizing the Construction of an Advanced Metering Infrastructure; (2) Request for Accounting Treatment; and (3) All Other Necessary Waivers, Approvals, and Relief* (Ky. PSC May 25, 2017).

<sup>68</sup> Kollen Testimony at 21.

The Attorney General contends that the economic analysis conducted by Duke Kentucky and reflected in the stipulation in Case No. 2016-00152 represents a savings period of 15 years.<sup>69</sup> The Attorney General argues that Duke Kentucky unilaterally shortened the benefits period in providing the AMI benefit adjustment in this case, causing the adjustment to be reduced.<sup>70</sup> The Attorney General maintains that using a 15-year benefits period results in an increase in the AMI levelization adjustment to \$3.177 million. This reflects an increase of \$0.856 million from the \$2.321 million calculated by Duke Kentucky.

Based on the changes made by Duke Kentucky to the AMI levelization calculation to reflect a full 15-year benefits period, Duke Kentucky maintains that the maximum adjustment the Commission should make to Duke Kentucky's request is \$0.855 million if the Attorney General's position is accepted.<sup>71</sup>

The Attorney General filed Errata Testimony for Lane Kollen and, based on the changes made during discovery, amended his AMI benefit levelization adjustment to a revenue requirement reduction of \$0.858 million.

Given the parties changes in position and the small difference in the amount of the AMI benefit levelization adjustment, the Commission finds that the levelization adjustment should be based on cost savings before gross-up of \$0.855 million.

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<sup>69</sup> *Id.* at 22.

<sup>70</sup> *Id.*

<sup>71</sup> Rebuttal Testimony of William Don Wathen, Jr., at 11.

### East Bend O&M Expense Regulatory Asset

Duke Kentucky is seeking to recover the East Bend O&M expense regulatory asset in the amount of \$4.490 million, based on a levelized recovery of the \$36.540 million regulatory asset over 10 years using Duke Kentucky's forecasted cost of debt.<sup>72</sup> This correction reduced the East Bend O&M expense related to the regulatory asset by \$0.323 million. Duke Kentucky also provided an adjustment in rebuttal reducing its revenue requirement by \$1.555 million to reflect the debt return that is already accruing on the regulatory asset at Duke Kentucky's long-term debt rate.<sup>73</sup>

The Attorney General argues that Duke Kentucky's forecast deferrals from January 2017 through March 2018 are excessive.<sup>74</sup> The Attorney General recommends that the regulatory asset be reduced to reflect the actual deferrals through October 2017, and to revise the forecast so that it is consistent with the actual monthly deferrals for the 12 months ending October 2017.<sup>75</sup> The Attorney General thus recommends that Duke Kentucky's revenue requirement be reduced by \$0.406 million.

The Commission finds that Duke Kentucky's adjustment for the East Bend O&M regulatory asset amortization is more accurate as it is based upon corrections made to the Attorney General's calculation. Therefore, the Commission finds that no further adjustment is warranted for this issue.

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<sup>72</sup> Amended Rebuttal Testimony of Wathen and Waller, Errata Sheet at 1.

<sup>73</sup> Amended Rebuttal Testimony of Sarah E. Lawler at 1.

<sup>74</sup> Kollen Testimony at 29.

<sup>75</sup> *Id.* at 30-31.

### Depreciation Expense

Duke Kentucky proposes, as part of developing its depreciation rates, the continued use of the ELG procedure. The Attorney General recommends the Commission adopt the ALG procedure in developing Duke Kentucky's depreciation rates. The Attorney General contends that the ALG methodology is the predominant method that is used in the electric industry for developing depreciation rates. The Attorney General contends that, under the ELG methodology, the capital recovery periods are accelerated and shortened and, thus, the depreciation rates are greater than if the ALG procedure was used.<sup>76</sup> The Attorney General argues that the ALG procedure is as accurate as the ELG procedure and the ALG procedure smooths the data so that the depreciation rates for the group of assets tend to remain constant.<sup>77</sup> Use of the ALG procedure will result in a decrease in Duke Kentucky's depreciation expense of \$6.920 million.

Duke Kentucky requested an increase in depreciation expense of \$6.920 million, based on its request to utilize the ELG procedure for computing depreciation rates. As was discussed in the rate base section of this Order, this Commission has found that the ELG procedure does not accurately match revenues and expenses, is front-loaded, and Duke Kentucky is the only Kentucky based utility that utilizes the ELG procedure for computing depreciation rates.

Regulatory accounting requires the proper matching of revenues and expense in order to produce fair, just and reasonable rates. The Commission finds Duke Kentucky's

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<sup>76</sup> *Id.* at 33.

<sup>77</sup> *Id.* at 35

proposed ELG procedure does not meet that criteria and that Duke Kentucky's depreciation expense should be reduced by \$6.920 million.

#### Terminal Net Salvage – Generation Units

Duke Kentucky included an adjustment of its depreciation expense of \$4.506 million to reflect the impact of terminal net salvage value.<sup>78</sup> Duke Kentucky's proposed depreciation rates reflect terminal net salvage, which the company contends is required under the Federal Energy Regulatory Commissions' Uniform System of Accounts.<sup>79</sup> Duke Kentucky further contends that, to avoid intergenerational inequity, these costs should be borne by those ratepayers who receive the benefit from the production assets.<sup>80</sup>

The Attorney General recommends reducing the proposed depreciation rates by removing terminal net salvage from production plant depreciation rates. The Attorney General argues that Duke Kentucky's proposed recovery of future terminal net negative salvage for production plant is unreasonable because those costs are not known with reasonable certainty today.<sup>81</sup> The Attorney General's recommendation is to reduce Duke Kentucky's depreciation expense by \$4.506 million.<sup>82</sup>

The Commission finds Dukes Kentucky's recommendation on the treatment of terminal net salvage value in the computing the depreciation rates for generating units is reasonable in order to avoid intergenerational inequity and should be approved.

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<sup>78</sup> *Id.* at 42.

<sup>79</sup> John J. Spanos Rebuttal Testimony ("Spanos Rebuttal Testimony") at 4–5.

<sup>80</sup> Spanos Rebuttal Testimony at 4.

<sup>81</sup> Kollen Testimony at 39.

<sup>82</sup> *Id.* at 42.

### Interim Net Salvage

Duke Kentucky proposed a \$4.617 increase in depreciation expense to reflect the impact of interim net salvage value in its depreciation rates.<sup>83</sup> Duke Kentucky included interim net salvage based on forecasts of the future cost of removal and salvage income.<sup>84</sup>

The Attorney General contends that Duke Kentucky's methodology front-loads forecasted costs based on limited data applied to the interim retirement portion of the production plant accounts and the entirety of the transmission and distribution plant accounts.<sup>85</sup> By presuming to recover costs that have not and may not be incurred, the Attorney General argues that Duke Kentucky's methodology overstates depreciation rates and expense. The Attorney General recommends applying a methodology that calculates the interim net salvage based on the same historical data used by Duke Kentucky, but uses the average annual historic interim net salvage dollars divided by the interim retirement portion of the production plant account and the entirety of the transmission and distribution plant accounts, rather than the annual historic retirements. Under the Attorney General's recommended methodology, Duke Kentucky's depreciation expense would decrease by \$4.617 million.

The Commission finds Duke Kentucky's recommendation for the treatment of interim net salvage value in the computing of its depreciation rates to be reasonable to avoid intergenerational inequity and should be approved.

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<sup>83</sup> *Id.* at 45.

<sup>84</sup> *Id.* at 43.

<sup>85</sup> *Id.* at 44.

### Federal Income Tax Expense

In its rebuttal testimony, Duke Kentucky proposed a reduction in Federal Income Tax ("FIT") of \$10.623 million to reflect the impacts of the TCJA.<sup>86</sup> Duke Kentucky states that the adjustment is due to updating the gross-revenue conversion factor ("GRCF") for the decrease in the federal income tax rate.<sup>87</sup> The Attorney General proposed a \$10.255 million reduction to reflect the impact of the TCJA, using the same methodology.<sup>88</sup>

The Commission has carefully reviewed the parties' methodology and computations in determining their respective FIT impacts of the TCJA. The Commission finds the Attorney General's calculations to be more accurate and therefore will reduce Duke Kentucky's revenue requirement by \$10.255 million.

### Excess Deferred Taxes

Duke Kentucky proposed a reduction in its revenue requirement of \$3.782 million to reflect the impact of the TCJA on the amortization of its excess ADIT.<sup>89</sup> The Attorney General proposed a reduction of \$6.054 million. Both Duke Kentucky and the Attorney General utilized the ARAM method to compute the amortization of the protected excess ADIT and both parties originally utilized a 20-year amortization for the unprotected excess ADIT. As was discussed in the rate base section of this Order, the Commission has accepted the ARAM calculation of the protected excess ADIT and has found a ten-year amortization period for the unprotected excess ADIT to be reasonable. As a result, the

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<sup>86</sup> Sarah E. Lawler Rebuttal Testimony ("Lawler Rebuttal Testimony") at 3.

<sup>87</sup> *Id.*

<sup>88</sup> Kollen Testimony at 48.

<sup>89</sup> Lawler Rebuttal Testimony at 3.

Commission finds that Duke Kentucky's test-year federal income tax expense should be reduced by \$4.472 million to reflect this adjustment.

Net Operating Income Summary

After considering all pro forma adjustments and applicable income taxes, Duke Kentucky's adjusted net operating income is as follows:

Operating Revenues	\$308,549,356
Operating Expenses	270,589,404
Adjusted Net Operating Income	<u>\$ 37,959,952</u>

Capitalization

Duke Kentucky's proposed capitalization represents the end-of-year balances of the 13-month average for the test period ending March 31, 2019. Because Duke Kentucky's total capitalization is for its electric and gas operations, the amount allocated to its electric operations is determined by taking the total capitalization for both electric and gas and applying the electric rate base ratio.<sup>90</sup> This is consistent with the approach used in previous Duke Kentucky rate cases. Accordingly, the total capitalization allocated to its electric operations is \$705,051,140.<sup>91</sup>

The Attorney General recommended several adjustments to Duke Kentucky's capitalization. Each adjustment was made proportionally based upon Duke Kentucky's capital ratio for a final capitalization of \$647,314,275.<sup>92</sup> No other intervenor

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<sup>90</sup> See Application, Work Papers, WPA1 d for the electric rate base ratio.

<sup>91</sup> Direct Testimony of Sarah E. Lawler ("Lawler Testimony") at 5.

<sup>92</sup> Kollen Testimony, Exhibit 23.

recommended any capitalization adjustment. The Attorney General proposed the following adjustments:

- A reduction of \$5.126 million for loans Duke Kentucky made to other Duke Energy affiliates as a member of Duke Energy Money Pool ("Money Pool"). The Money Pool is used to meet short-term cash requirements and the Attorney General states that Duke Kentucky should not be allowed a return on these investments because if the revenue requirements were calculated using rate base this Money Pool investment would be excluded. The Attorney General adjusted the capitalization downward by Duke Kentucky's forecasted test year Money Pool investments, reducing Duke Kentucky's revenue requirement by \$0.451 million.<sup>93</sup> In its rebuttal testimony, Duke Kentucky states that the money pool is used to manage short-term cash positions and any reduction to its capitalization should be solely attributed to the short-term debt portion of the capital structure and not applied proportionally based on its capital ratio of short-term debt, long-term debt, and common equity.<sup>94</sup> The Commission agrees that any adjustment should be made solely to short-term debt and will adjust the capitalization downward for a revenue reduction of \$0.158 million.<sup>95</sup>

- A reduction of \$39.162 million to reflect the removal of the East Bend O&M expense regulatory asset. The Attorney General argues that Duke Kentucky has already included a debt-only rate of return in the levelized amortization expense for the East Bend O&M expense regulatory asset and in the revenue requirement. The adjustment reduces

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<sup>93</sup> *Id.* at 51–52.

<sup>94</sup> Rebuttal Testimony of Stephen G. De May at 17–18.

<sup>95</sup> This adjustment alters the capitalization ratio. Further adjustments are made to this revised capitalization.

Duke Kentucky's revenue requirement by \$3.449 million. In its rebuttal testimony, Duke Kentucky agrees to remove this regulatory asset from capitalization and, in response to Duke Kentucky's Post-Hearing Data Request, the projected East Bend O&M Expense regulatory asset was updated to \$36.540 million.<sup>96</sup> Removing this updated amount from the Commission adjusted capitalization results in a decrease in the revenue requirement of \$3.231 million.

- The removal of the demand-side management ("DSM") regulatory asset for a reduction of \$1.477 million from the capitalization and a reduction in the revenue requirement of \$0.130 million. The Attorney General states that Duke Kentucky erred by not removing the DSM regulatory asset from its electric capitalization. Duke Kentucky counters that all DSM revenue and expenses have been removed, but the deferred balance should not be removed as it is exclusively related to a cash flow issue and is financed by shareholders and recommended rejecting this adjustment as it is an asset on Duke Kentucky's balance sheet and is not accruing carrying costs.<sup>97</sup> The Commission agrees that the DSM regulatory asset is a cash flow issue and rejects the proposed adjustment.

- The removal of \$18.509 million from capitalization for the East Bend coal ash regulatory asset as the Attorney General proposed that these costs be recovered through the proposed Environmental Surcharge Mechanism Rider. The impact of this adjustment is a reduction in Duke Kentucky's revenue requirement of \$1.630 million.

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<sup>96</sup> Duke Kentucky's Response to Staff's PH-DR, Item 2.

<sup>97</sup> Rebuttal Testimony of Sarah E. Lawler ("Lawler Rebuttal") at 7.

Duke Kentucky agreed with this adjustment.<sup>98</sup> The Commission finds this proposed adjustment to be reasonable and will remove this from the Commission's adjusted capitalization, which results in a decrease of \$1.637 million in the revenue requirement.

- An increase to the revenue requirement of \$0.018 million to reflect a \$0.200 million increase to capitalization to account for the impact of amortizing the Carbon Management Research Group regulatory asset over a ten-year period as compared to Duke Kentucky's proposed five-year period. Duke Kentucky agrees with this recommendation and the Commission finds this adjustment to be reasonable and should be accepted. This adjustment increases the revenue requirement by \$0.018 million on the Commission's adjusted capitalization.

- An increase of \$2.733 million to reflect the reduction in depreciation expense resulting from use of the ALG depreciation method instead of Duke Kentucky's proposed ELG depreciation method. As stated earlier, the Commission agrees with the application of the ALG methodology in developing Duke Kentucky's depreciation rates and, accordingly, accepts the corresponding adjustment to capitalization. Based on the revised capitalization, the revenue impact is \$0.242 million.

- The Attorney General recommends Duke Kentucky's revenue requirement be increased \$0.157 million to reflect the \$1.780 million increase in capitalization resulting from the reduction in depreciation expense from the proposed removal of terminal net salvage value. As stated earlier, the Commission rejected the Attorney General's recommendation on this issue and, therefore, no corresponding adjustment to capitalization will be made.

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<sup>98</sup> Duke Kentucky's Response to the Attorney General's Second Request for Information, Item 4e.

- An increase of \$1.824 million to capitalization to reflect the increased capitalization resulting from the reduction in depreciation expense from the proposed removal of the remaining net salvage. The Commission rejected the Attorney General's recommendation on this issue and, therefore, no corresponding adjustment to capitalization will be made.

Appendix B illustrates the impact of each capitalization adjustment. The total Commission approved adjustments lower Duke Kentucky's electric operations capitalization to \$647,809,050.

#### Rate of Return, Capital Structure, and Cost of Debt

Duke Kentucky proposed a test-year-end capital structure consisting of 40.68 percent long-term debt at a cost of 4.24 percent; 10.43 percent short-term debt at a cost of 3.08 percent; and 48.89 percent common equity with a proposed return of 10.30 percent.<sup>99</sup> Although the capitalization is lower, the capital structure proposed by the Attorney General maintains the same capital ratios and short-term and long-term debt costs but adjusts the cost of common equity. Neither NKU, KSBA, nor Kroger addressed the capital structure.

#### Return on Equity

In its application, Duke Kentucky developed its proposed return on equity ("ROE") using the discounted cash flow method ("DCF"), the capital asset pricing model ("CAPM"), the Empirical CAPM model, and Risk Premium analysis ("RP"). Derived from these cost of capital evaluations, Duke Kentucky proposed an ROE range, adjusted for flotation costs, of 9.0 percent to 10.7 percent, and recommended an ROE be awarded within the

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<sup>99</sup> Application, Schedule J-1, page 2.

upper half portion of this range, or between 9.9 and 10.7 percent.<sup>100</sup> Duke Kentucky used the midpoint of this upper portion, or 10.3 percent, in calculating its revenue requirements. Duke Kentucky maintained that an ROE in this range fairly compensates investors, maintains Duke Kentucky's credit strength and attracts the capital needed for utility infrastructure and reliability capital investments.<sup>101</sup> Duke Kentucky further emphasized that an ROE in the upper portion of the recommended range accounts for the high external financing risks facing Duke Kentucky relative to its small size, forecasted increases in interest rates, a highly concentrated generation mix, and a higher degree of regulatory risk.<sup>102</sup> The table below summarizes Duke Kentucky's ROE estimates:<sup>103</sup>

STUDY	ROE
DCF – Value Line Growth	9.4%
DCF – Analyst Growth	9.0%
CAPM	9.5%
Empirical CAPM	10.0%
Historical Risk Premium Electric	10.7%
Allowed Risk Premium	10.5%

Direct testimony and analysis regarding the ROE were also provided by the Attorney General. The Attorney General employed the DCF and CAPM models for its analysis but based its recommendation on the results of the DCF model.<sup>104</sup> The Attorney General used 19 proxy companies as compared to the 23 Duke Kentucky utilized. The Attorney General stated that due to significant events, including acquisition activity,

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<sup>100</sup> Direct Testimony of Roger A. Morin, PhD (“Morin Testimony”) at 4.

<sup>101</sup> *Id.* at 5.

<sup>102</sup> *Id.* at 4.

<sup>103</sup> *Id.* at 62.

<sup>104</sup> Direct Testimony of Richard A. Baudino (“Baudino Testimony”) at 3.

natural disasters, and capital investment cancellations, the exclusion of the four proxy companies was warranted.<sup>105</sup> In the DCF model, the Attorney General employed both the average and the median values for the expected growth rates. The model results indicated equity cost rates ranging from 8.07 percent to 9.16 percent for the average growth rates and for the median growth rates, 8.19 percent to 9.21 percent. The Attorney General recommended removing the low end of the average growth range, stating that 8.07 percent appeared to be understated and that the remaining DCF estimates reflect a range of approximately 8.2 percent to 9.2 percent. Thus, the Attorney General recommended a point slightly higher than the midpoint, or 8.8 percent.<sup>106</sup>

The Attorney General disagreed with Duke Kentucky's overall analysis, stating that Duke Kentucky's requested ROE is overstated, inconsistent with the current low-interest-rate environment, and not supported by current market evidence.<sup>107</sup> In particular, the Attorney General disagreed with Duke Kentucky's DCF analysis, arguing that Duke Kentucky's exclusion of forecasted dividend growth in the DCF analysis, due to Duke Kentucky's concern regarding slower dividend growth in the near term was not reflective of long-run expected earnings growth. The Attorney General also questioned Duke Kentucky's use of 1+g to calculate the expected dividend yield as compared to 1+.5g. The Attorney General noted that although the two approaches do not yield significantly different results, the 1+g approach is overstated as it assumes an investor receives the

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<sup>105</sup> *Id.* at 19. The four companies were Avista Corp. (which had announced that it would be acquired by Hydro One); PG&E Corp. (which recently announced that it would be eliminating its common and deferred stock dividends); SCANA (who's stock price has fallen significantly due to the cancellation of the Summer nuclear power plant); and Sempra Energy (which recently announced its acquisition of Oncor).

<sup>106</sup> *Id.* at 31.

<sup>107</sup> *Id.* at 32.

full amount of growth throughout the next year and given the timing of dividend increases and the level of the dividend, the investor may or may not actually receive a full year of increased dividend payments.<sup>108</sup>

The Attorney General's CAPM results range from 7.01 percent to 7.23 percent for the forward-looking CAPM ROE estimates and 6.02 percent to 7.39 percent using historical risk premiums.<sup>109</sup> The Attorney General stated that Duke Kentucky's CAPM analysis employed an inflated projected interest rate, and that current interest rates and bond yields embody all relevant market data and expectations of investors.<sup>110</sup> He further argues that the use of the Empirical CAPM analysis is not a reasonable method to use for Duke Kentucky's ROE estimate, as the use of an adjustment factor to "correct" the CAPM results for companies with betas less than 1.0 suggests that published betas are incorrect and investors should not rely on them.<sup>111</sup> The Attorney General rejects the RP analysis calling it imprecise and stating that it should only be used for general guidance.<sup>112</sup>

Finally, the Attorney General disagreed with Duke Kentucky's inclusion of an upward adjustment for flotation costs. The Attorney General notes that flotation costs attempt to collect the costs of issuing common stock and that these costs are already accounted for in current stock prices and that adding an adjustment for flotation costs

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<sup>108</sup> *Id.* at 34.

<sup>109</sup> *Id.* at 30.

<sup>110</sup> *Id.* at 34.

<sup>111</sup> *Id.* at 39.

<sup>112</sup> *Id.* at 40.

amounts to double counting.<sup>113</sup> The Attorney General further notes that if flotation costs are excluded from the Duke Kentucky's DCF analysis, the cost of equity results fall to a range of 8.86 percent to 9.27 percent.<sup>114</sup>

In its rebuttal testimony, Duke Kentucky contends that the Attorney General's proposed ROE would be one of the lowest authorized returns in the industry, that it lies outside the zone of reasonableness, and, if adopted, would cause adverse consequences to Duke Kentucky's creditworthiness, financial integrity, capital-raising ability and ultimately to its customers. Duke Kentucky further disagrees with the Attorney General exclusively relying on the results of the DCF analysis and the procedures and methodologies used in his analysis.

In his post-hearing brief, the Attorney General pointed out that in the recent Kentucky Power Company ("Kentucky Power") rate case,<sup>115</sup> the Commission noted that the increase in interest rates is happening slowly and interest rates are still historically low. He also noted that the Commission stated that models supporting a low-interest-rate environment should be given more weight. The Attorney General contends that Duke Kentucky did not provide any evidence to sway this Commission from that position and that an ROE of 8.8 percent should be adopted.<sup>116</sup> Duke Kentucky's post-hearing brief

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<sup>113</sup> *Id.* at 33.

<sup>114</sup> *Id.*

<sup>115</sup> Case No. 2017-00179, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of its Rates for Electric Service, (2) An Order Approving its 2017 Environmental Compliance Plan; (3) An Order Approving its Tariffs and Riders; (4) An Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities; and (5) An Order Granting All Other Required Approvals and Relief* (Ky. PSC Jan. 18, 2018).

<sup>116</sup> Attorney General's Post Hearing Brief at 5-6.

contends that the Attorney General's proposed ROE is unreasonable and lies outside the zone of currently authorized ROEs for electric utilities.<sup>117</sup> For the reasons discussed below, the Commission finds a ROE of 9.725 percent to be reasonable, and for the purpose of base rate revenues and certain tariffs, an ROE of 9.725 percent should be applied.

The Commission agrees that financial markets are still in a low-interest-rate environment. However, economic data indicates a healthy outlook with steady growth, low unemployment, and inflation at the Federal Reserve's ("Fed") target level. Citing a solid economic outlook, the Fed increased the federal funds interest rate to 1.75 percent this past March, the highest level in a decade, and signaled that two to three more rate hikes are possible in 2018. Increased government spending, the possible impact of current tariff policy on net imports, and the Tax Cut and Jobs Act of 2017 should all contribute to a healthier economy. These macroeconomic inputs point to a robust outlook and an economy that has recovered from the Great Recession. However, notwithstanding these improvements, interest rates are still historically low, the impact of interest rate changes is unpredictable, and increases in the federal funds rate are not guaranteed.

The Commission agrees with the Attorney General that flotation costs should be excluded from the analysis as they are already accounted for in the current stock prices. Removal of the flotation costs from Duke Kentucky's ROE model produces the following results:

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<sup>117</sup> Duke Kentucky's Post-Hearing Brief at 73.

STUDY	ROE
DCF – Value Line Growth	9.3% <sup>118</sup>
DCF – Analyst Growth	8.9% <sup>119</sup>
CAPM	9.3% <sup>120</sup>
Empirical CAPM	9.8% <sup>121</sup>
Historical Risk Premium	10.5% <sup>122</sup>
Allowed Risk Premium	10.5% <sup>123</sup>

For 2017, the average authorized ROE in the electric utility industry as reported in the Regulatory Research Associates (“RRA”) quarterly review was 9.80 percent, and the average of allowed ROEs for the proxy group of 19 companies is 9.88.<sup>124</sup> Further, the Commission notes its last award of 9.7 percent for an investor-owned electric utility. The Commission believes these ROE reports are benchmarks worthy of consideration in determining a reasonable ROE. The Commission believes that since its last award of 9.7 percent, the economy has shown quantifiable signs of improvement. Further, the Commission recognizes the risk inherent to Duke Kentucky's lack of diversity in its generation fleet. Based on the entire record developed in this proceeding, we find that the approved ROE of 9.725 falls within the range of Duke Kentucky's proposed ROE of 8.86 percent to 10.5 percent, adjusted for flotation costs. While the ROE of 9.725 exceeds the Attorney General's range of 8.2 percent to 9.2 percent, the Commission believes that

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<sup>118</sup> Morin Testimony at 30.

<sup>119</sup> *Id.* at 31.

<sup>120</sup> *Id.* at 44.

<sup>121</sup> *Id.* at 47.

<sup>122</sup> *Id.* at 49.

<sup>123</sup> *Id.* at 52. No flotation cost is noted.

<sup>124</sup> *Id.* See also, Rebuttal Testimony of Roger A. Morin, PhD at 10.

the Attorney General recommended range is unreasonably low. The Commission agrees with Duke Kentucky that awarding an ROE that is significantly lower than other electric utility authorized ROEs may cause it financial stress and fails to take into account Duke Kentucky's highly concentrated generation portfolio. Additionally, an ROE of 9.725 is within the range of the benchmarks provided by RRA and approved for the proxy group, and recognizes the economic improvements since the last Commission decisions involving rate cases of other investor-owned electric utilities in Kentucky.

#### Rate-of-Return Summary

Applying the rates of 3.08 percent for short-term debt, 4.24 percent for long-term debt, and 9.725 for common equity to the Commission adjusted capital structure consisting of 9.77 percent, 40.98 percent, and 49.25 percent, respectively, produces an overall cost of capital of 6.83 percent.<sup>125</sup>

#### Base Rate Revenue Requirement

The Commission has determined that, based upon Duke Kentucky's capitalization of \$647,809,050 and an overall cost of capital of 6.83 percent, Duke Kentucky's net operating income that could be justified by the evidence of record is \$44,245,358. Based on the adjustments found reasonable herein, Duke Kentucky's pro forma net operating income for the test year is \$37,959,952. Therefore, Duke Kentucky would need an increase in annual base rate operating income of \$6,285,406. After the provision for uncollectible accounts, the PSC Assessment, and state and federal income taxes, Duke Kentucky would have a base-rate electric revenue deficiency of \$8,428,645.

The calculation of this base-rate revenue deficiency is as follows:

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<sup>125</sup> See, Appendix B.

Net Operating Income Found Reasonable	\$ 44,245,358
Pro Forma Net Operating Income	<u>37,959,952</u>
Net Operating Income Deficiency	\$ 6,285,406
Gross Revenue Conversion Factor	1.3409866
Base Rate Revenue Deficiency	<u>\$ 8,428,645</u>

### REVENUE ALLOCATION AND RATE DESIGN

#### Cost of Service Study ("COSS") and Revenue Allocation

Duke Kentucky prepared three fully embedded COSSs in this proceeding that contain essentially the same data, except that different methodologies were used to develop the allocation factor for the demand component of Production-related costs. The demand allocation methods are as follows: (1) 12-CP method; (2) the Average and Excess method; and (3) the Summer/NonSummer method. Of those three, Duke Kentucky recommends using the 12-CP methodology, stating that it is generally accepted in the utility industry and was approved by the Commission in its most recent electric base rate case.<sup>126</sup> Using the 12-CP method, the allocation of capacity costs to each customer class is based on the class load contribution to the maximum peak, at the time of peak, regardless of what their respective loads were at other times of the day. Duke Kentucky states that due to an anticipated future replacement of its billing system, it is not seeking to implement any significant rate design changes. Duke Kentucky is proposing to increase customer charges and energy charges and, where applicable, demand charges, across the board. Duke Kentucky's proposed rate design is based upon its 12-CP COSS

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<sup>126</sup> Case No. 2006-00172, Duke Kentucky (Ky. PSC Dec. 21, 2006).

increases are supported by the COSS.<sup>127</sup> For the residential class, the customer charge is proposed to increase from \$4.50 to \$11.10, or 147 percent.<sup>128</sup> This amount represents nearly the full customer charge as calculated by the COSS.<sup>129</sup> Duke Kentucky is also proposing to increase its street lighting and traffic lighting rates. The revised proposed increase by rate class is as follows:<sup>130</sup>

Rate RS	14,780,440
Rate DS	7,870,484
Rate GS-FL	51,793
Rate EH	54,744
Rate SP	1,897
Rate DT-Secondary	3,854,808
Rate DT-Primary	2,442,311
Rate DP	105,930
Rate TT	807,689
Lighting	146,956
Total	30,117,052

The Attorney General's witness, Mr. Glenn Watkins, prepared two COSSs but stated that he accepts Duke Kentucky's 12-CP method for evaluating class profitability. While Mr. Watkins stated that he believes that Duke Kentucky's revenue distribution is reasonable for the residential class, he states that Duke Kentucky's proposed revenue allocation produces anomalous results for several nonresidential classes but did not offer any suggested changes. In addition, Mr. Watkins calculated a customer charge between

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<sup>127</sup> As originally proposed, the customer charges for rate class DT, both Primary and Secondary, were not supported by the COSS. However, through discovery, Duke Kentucky proposed that the customer charges be revised to reflect the COSS.

<sup>128</sup> As revised in the billing analysis provided in Duke Kentucky's response to Staff's PH-DR, Item 9.

<sup>129</sup> The revised COSS filed by Duke Kentucky in response to Staff's PH-DR, Item 8, supports a residential customer charge of \$11.31.

<sup>130</sup> See revised billing analysis provided in Duke Kentucky's response to Staff's PH-DR, Item 9, Tab Sch M-2.2.

any suggested changes. In addition, Mr. Watkins calculated a customer charge between \$2.69 and \$3.49 using "a direct customer cost analysis" and objected to any increase in the residential customer charge. Mr. Watkins asserts that Duke Kentucky's proposed residential rate design violates the principle of gradualism, the theory of efficiency competitive prices and is contrary to effective conservation efforts.

NKU did not object to Duke Kentucky's 12-CP COSS and did not oppose Duke Kentucky's revenue allocation. Kroger's witness, Mr. Justin Bieber, proposed that the Commission allocate 50 percent of the benefits of the tax impact to all rate classes and then use the remaining 50 percent to further reduce interclass subsidies, as he believes the proposed 10 percent subsidy reduction is insufficient. Duke Kentucky believes Mr. Bieber's proposal is not a fair result for its customers, stating the changes due to the tax reduction should follow the customer contribution to costs.

The Commission accepts Duke Kentucky's revised 12-CP COSS to use as a guide in determining revenue allocation and rate design. The Commission also accepts Duke Kentucky's proposed revenue allocation and finds that the proposed revenue allocation, which reduces class subsidies by 10 percent, conforms to the principle of gradualism. As previously stated, the Commission is granting less of an increase than that requested by Duke Kentucky. Therefore, the Commission will allocate the increase granted herein on a proportional basis to each of the rate classes, based generally on Duke Kentucky's proposed revenue allocation.

#### Rate Design

Duke Kentucky's revised 12-CP COSS supports a residential customer charge in the amount of \$11.31, which includes all costs identified as customer-related in its

COSS.<sup>131</sup> This method of calculating the customer charge is generally accepted in the utility industry and is being accepted by the Commission. Although the Commission has been reluctant to approve an increase in the residential customer charge in excess of 50 percent due to the principle of gradualism, we believe that a larger increase is warranted in this proceeding given Duke Kentucky's lowest-in-Kentucky current residential customer charge of \$4.50 and the amount of time that has passed since the charge was established. Therefore, the Commission will approve a residential customer charge of \$11.00. Given the reduction to the requested increase granted herein, allocating the entirety of the increase authorized for the residential class to the customer charge will not achieve an \$11.00 customer charge. Therefore, the Commission will decrease the current residential energy charge in order to establish an \$11.00 customer charge and achieve the increase authorized for the residential class. The Commission will also accept Duke Kentucky's proposed customer charges and demand charges for the nonresidential rate classes, as revised. Therefore, in order to achieve the decrease in the requested increase granted herein, the Commission has adjusted the energy charges of all rate classes. The monthly increase for the residential class results in an increase of 3.2 percent, or approximately \$2.56, for a typical residential customer using 1,000 kWh of electricity per month.

#### PROPOSED TARIFF CHANGES

Fixed Bill Program. Duke Kentucky is proposing to offer a Fixed Bill program to its customers. A customer signing up for the Fixed Bill program would pay a flat monthly billing charge for electric service for 12 months. The flat monthly charge would include a

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<sup>131</sup> Duke Kentucky's Response to Staff's PH-DR, Item 8, Attachment, Tab Customer Charge.

premium in order to take into account the risk of weather and commodity volatility. Duke Kentucky stated that the premium has not yet been finalized for inclusion in the program but that, if approved, the premium to be charged to customers would be determined and added to the applicable section in the compliance tariff.<sup>132</sup> Duke Kentucky also states that significant changes in the customer's consumption behavior may require the Fixed Bill amount to be recalculated before the 12-month period ends. If a customer's actual usage is more than 30 percent higher than their expected weather-adjusted usage, Duke Kentucky stated that it would send them a warning letter and, if the excessive usage continues, the company would have the right to remove the customer from the program or adjust their fixed bill amount to reflect the increased usage.<sup>133</sup> At the end of 12 months, Duke Kentucky would calculate a new charge to the customer, which will factor in any changes in usage patterns for the customer. The customer would be required to re-enroll in the Fixed Bill payment option every 12 months.

Duke Kentucky's initial proposed tariff did not contain the provisions of the Fixed Bill Program but Duke Kentucky indicated that it would be willing to include the provisions of the Fixed Bill Program in its tariff if the program is approved.<sup>134</sup>

Mr. Watkins, the Attorney General's witness, filed testimony recommending that the Fixed Bill Program be rejected. Mr. Watkins stated that the Fixed Bill program is not in the public interest and provides windfall profits to Duke Kentucky with no realistic benefits to consumers. Mr. Watkins also states that the Fixed Bill program would provide

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<sup>132</sup> Duke Kentucky's Response to Staff's Fourth Request for Information ("Staff's Fourth Request"), Item 17 b.

<sup>133</sup> Duke Kentucky's Response to Staff's Fourth Request, Item 17. a.

<sup>134</sup> Duke Kentucky's Response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 9 d.

benefits to consumers. Mr. Watkins also states that the Fixed Bill program would provide for a constant "flat" bill to customers regardless of how much energy they consume or when they consume it, and that policies such as this are contrary to the objectives of efficient pricing.

The Commission finds that the Fixed Bill Program is not reasonable and should not be approved. A jurisdictional utility must charge its filed rates for usage and the Commission finds that this program does not adhere to the Commission's filed rate doctrine. Because Duke Kentucky included \$122,230 in the forecasted test year as the amount of premium associated with this program, in rejecting the Fixed Bill Program, the Commission has made an adjustment to increase the revenue requirement by \$122,230.

Rate RTP-M, Real-Time Pricing. Duke Kentucky is proposing to cancel and withdraw Rate RTP-M, Real-Time Pricing – Market-Based Pricing. Duke Kentucky states that this rate option has not been utilized by any customers since its inception and that it was proposed when Duke Kentucky purchased all of its power from Duke Energy Ohio, which is no longer the case. Duke Kentucky states that it has another RTP tariff available for nonresidential customers. There were no objections to this tariff change from the intervenors. The Commission finds that the proposed tariff change is reasonable and should be approved.

Rate TT, Time of Day Rate – Transmission Voltage. Duke Kentucky is proposing to add a summer and winter on-peak energy rate similar to Rate DT. There were no objections to this tariff change from the intervenors. The Commission finds that the proposed tariff change is reasonable and should be approved.

Rate DT, Time of Day Rate – Distribution Voltage. Duke Kentucky is proposing to remove language referencing an expired optional pilot rate for low load factor customers from this tariff. There were no objections to this tariff change from the intervenors. The Commission finds that the proposed tariff change is reasonable and should be approved.

Rate LED, LED Outdoor Lighting Service. Duke Kentucky is proposing to introduce a LED lighting tariff due to increased customer requests for LED fixtures. The minimum term for the tariff is proposed to be 10 years. The rates proposed by Duke Kentucky included a carrying charge based on a 10.30 percent ROE. As previously stated, the ROE approved in this proceeding is 9.725 percent. Therefore, the Commission has recalculated the proposed LED rates using a ROE of 9.725 percent. With this recalculation of rates, the Commission finds that the proposed LED lighting tariff is reasonable and should be approved.

Rate OL, Outdoor Lighting Service. Duke Kentucky is proposing to cancel and withdraw Rate OL, Outdoor Lighting Service. Per Duke Kentucky's current tariff, this rate schedule terminated December 31, 2016. Duke Kentucky is proposing that all remaining participants be moved to Rate UOLS, Unmetered Outdoor Lighting and, as applicable, Rate OL-E – Outdoor Lighting Equipment Installation. There were no objections to this tariff change from the intervenors. The Commission finds that the proposed tariff change is reasonable and should be approved.

Rate NSP, Private Outdoor Lighting Service for Nonstandard Units. Duke Kentucky is proposing to cancel and withdraw Rate NSP, Private Outdoor Lighting for Non-Standard Units. Per Duke Kentucky's current tariff, this rate schedule terminated December 31, 2016. Duke Kentucky is proposing that all remaining participants be

moved to Rate UOLS, Unmetered Outdoor Lighting and, as applicable, Rate OL-E, Outdoor Lighting Equipment Installation. There were no objections to this tariff change from the intervenors. The Commission finds that the proposed tariff change is reasonable and should be approved.

Rider LM, Load Management Rider. Duke Kentucky is proposing to revise Rider LM to reflect the fact that it no longer utilizes the magnetic tape recording devices included in Section II of the Rider. Section II will be eliminated and all participants utilizing interval data recorders and time-of-use meters will be combined under Section I.<sup>135</sup> There were no objections to this tariff change from the intervenors. The Commission finds that the proposed tariff change is reasonable and should be approved.

Rate MDC, Meter Data Charges. Duke Kentucky is proposing to revise Rate MDC to clarify that it is for nonresidential customers and to rename it Meter Data Charges for Enhanced Usage Data Services. In addition, the name of the software that enables the service is changed from EnFocus to Energy Profiler Online (EPO).<sup>136</sup> There were no objections to this tariff change from the intervenors. The Commission finds that the proposed tariff change is reasonable and should be approved.

Rider GSS, Generation Support Service. Duke Kentucky is proposing to combine the Monthly Distribution Reservation Charge, Monthly Transmission Reservation Charge, and Monthly Ancillary Services Reservation Charge values into a combined value called Monthly Transmission and Distribution Reservation Charge.<sup>137</sup> Duke Kentucky clarified

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<sup>135</sup> Direct Testimony of Bruce L. Sailors ("Sailors Testimony") at 17.

<sup>136</sup> Sailors Testimony at 20.

<sup>137</sup> Sailors Testimony at 20.

in the discovery and at the hearing in this matter that proposed Rider GSS does not include a Monthly Ancillary Services Reservation Charge.<sup>138</sup> There were no objections to this tariff change from the intervenors. The Commission finds that the proposed tariff change is reasonable and should be approved.

Rider FAC, Fuel Adjustment Clause. Duke Kentucky is proposing to include additional PJM Interconnection, LLC ("PJM") Billing Line Items for recovery through its FAC. Duke Kentucky's proposal is the same, with respect to the PJM billing line items, as was made by Kentucky Power in its recent base-rate proceeding and approved by the Commission.<sup>139</sup> There were no objections to this tariff change from the intervenors. The Commission will approve Duke Kentucky's proposal with the requirement that Duke Kentucky list each of the PJM billing line items that will flow through the FAC in its compliance tariff.

Rider PSM, Off-System Sales Profit Sharing Mechanism. Duke Kentucky is proposing changes to its Rider PSM to expand the categories of revenues (net of costs) available for inclusion in Rider PSM and to streamline the administration and calculation of Rider PSM. Duke Kentucky is proposing to make adjustments to Rider PSM to reflect PJM billing line items that are related to credits and charges attributable to the off-system sales shared with customers under Rider PSM. Duke Kentucky is proposing to adjust the categories of eligible net proceeds (credits and charges) that can be flowed through the PSM to include all wholesale energy, capacity, and ancillary services markets (net of costs and credits) that are now available or may become available in PJM. This will

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<sup>138</sup> Duke Kentucky's response to Staff's Fourth Request, Item 14, and March 7, 2018 hearing at 2:07:45.

<sup>139</sup> Case No. 2017-00179, Kentucky Power (Ky. PSC Jan. 18, 2018).

capacity performance market requirements and for short-term capacity purchases necessary to meet Duke Kentucky's three-year fixed resource requirement plan. Duke Kentucky is also proposing to include costs of any capacity payments made to cogeneration facilities under the terms of its cogeneration tariffs, as well as any net proceeds from the sale of renewable energy certificates derived from any Company-owned renewable generating resources. Since Duke Kentucky is proposing to implement an environmental surcharge mechanism, cost recovery and the sharing of any gains or losses on the sale of emission allowances will begin to be addressed in Rider ESM.<sup>140</sup> None of the intervenors filed testimony objecting to the expansion of items proposed to be included in Rider PSM. However, in its post-hearing brief, the Attorney General stated that the proposed changes to Rider PSM should be denied because Duke Kentucky has not met its burden as to the necessity of the changes. The Attorney General argued that Duke Kentucky is attempting to turn Rider PSM into a way to pass costs on to customers instead of a way to share profits.

Duke Kentucky is also proposing to revise the sharing percentage between customers and shareholders. Currently, the first \$1 million in annual margins from off-system sales flow to customers and anything over \$1 million is shared 75 percent to customers and 25 percent to Duke Kentucky shareholders. Duke Kentucky is proposing to revise the sharing percentage between customers and shareholders to a 90/10 split and eliminate the \$1 million threshold in the formula. Duke Kentucky argues that the proposed split will simplify and streamline the process. Duke Kentucky also provided

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<sup>140</sup> Direct Testimony of William Don Wathen, Jr. ("Wathen Testimony") at 14 and 15.

calculations showing that the change to Rider PSM would benefit customers during the forecasted period in the amount of \$322,294.<sup>141</sup>

The Attorney General did not provide testimony opposing Duke Kentucky's proposed 90/10 customer/shareholder split but did recommend that the forecasted off-system sales margins be removed from Rider PSM and be included in base rates, as discussed previously in this Order.

Having reviewed the record in this proceeding, the Commission finds Duke Kentucky's proposed changes to Rider PSM to be reasonable and will approve Duke Kentucky's proposal with the requirement that Duke Kentucky list each of the PJM billing line items that will flow through Rider PSM in its compliance tariff. In addition, the Commission will require Duke Kentucky to notify the Commission within seven days of incurring any capacity performance assessment from PJM.

Reconnection of Service. Duke Kentucky is proposing to revise its reconnection fees as follows:

Charge	Current Charge	Proposed Charge
Remote Reconnection	\$0.00	\$25.00
Reconnection (Nonremote, Electric Only)	25.00	75.00
Reconnection (Nonremote, Electric & Gas)	38.00	88.00
Reconnection at pole (Electric Only)	65.00	125.00
Reconnection at pole (Electric & Gas)	90.00	150.00
Collection Fee	15.00	50.00

<sup>141</sup> Duke Kentucky's Response to Staff's Second Request, Item 28.

Duke Kentucky filed cost support for its proposed reconnection charges. In response to questioning from the Attorney General regarding the calculation of the remote reconnection charge, Duke Kentucky offered to revise its remote reconnection charge using an alternate labor rate which would result in a remote reconnection charge of \$3.45. Duke Kentucky stated that if this revised rate was approved rather than the proposed rate, a corresponding adjustment totaling \$170,759 would need to be made to its revenue requirement to account for the loss of the reconnection revenue.<sup>142</sup>

With the exception of the remote reconnection charge, the Commission finds that the proposed charges in the table above are reasonable and should be approved. The Commission also finds that the remote reconnection charge should be \$3.45 and has made an adjustment to increase Duke Kentucky's revenue requirement in the amount of \$170,759.

Rate CATV, Rate for Pole Attachments of Cable Television Systems. Duke Kentucky is proposing to increase the pole attachment rates and to broaden the rate language to apply the per foot charge to other pole attachments on a contract basis based on the footage required for the attachment. Duke Kentucky is also proposing that this rate schedule be renamed to Rate DPA, Distribution Pole Attachment Rate, thereby limiting the attachments to distribution poles.<sup>143</sup> There were no objections to this tariff change from the intervenors. The Commission will approve Duke Kentucky's proposed changes to this tariff; however, the rates proposed by Duke Kentucky will not be approved as they were calculated using a rate of return based on a 10.30 percent ROE. Therefore,

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<sup>142</sup> Sailer's Rebuttal Testimony at 15.

<sup>143</sup> Sailer's Testimony at 18.

the Commission has recalculated the proposed pole attachment rates using the Commission approved ROE of 9.725 percent and will approve a two-user-pole rate of \$5.92 and a three-user-pole rate of \$4.95. Because this change to the proposed pole attachment rates will impact revenue, the Commission has made an adjustment to increase Duke Kentucky's revenue requirement in the amount of \$15,601.

Cogeneration and Small Power Production Sale and Purchase Tariffs ("Cogen Tariffs"). Duke Kentucky has two Cogen Tariffs, one for cogeneration facilities that are 100 kW or less ("Small Cogen Tariff") and one for cogeneration facilities that are greater than 100 kW ("Large Cogen Tariff"). For the Small Cogen Tariff, Duke Kentucky is proposing to revise the Energy Purchase Rate to reflect avoided energy cost equal to a two-year average PJM Locational Marginal Price ("LMP") at the Duke Energy node. The Energy Purchase for the Large Cogen Tariff is based on the PJM real-time LMP for power at the DEK Aggregate price node for each hour of the billing month.

For both Cogen Tariffs, Duke Kentucky proposes to recover required energy purchases through the FAC as an economy energy purchase. Duke is also proposing to add a Capacity Purchase Rate to both Cogen tariffs that will be based on the Company's avoided capacity cost in Duke Kentucky's last Integrated Resource Plan, which was reviewed in Case No. 2014-00273.<sup>144</sup> Duke Kentucky proposes to adjust the Capacity Purchase Rate after the Commission completes its review of the next IRP, which is due to be filed in June 2018. Due to the fact that Duke Kentucky may need to purchase

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<sup>144</sup> Case No. 2014-00273, *2014 Integrated Resource Plan of Duke Energy Kentucky, Inc.* (Ky. PSC Sept. 23, 2015).

capacity to meet its own resource needs in PJM, it is proposing to reconcile and recover costs of any purchases of capacity under these tariffs through Rider PSM.

Duke Kentucky is also proposing to add language to both of its Cogen Tariffs stating that no capacity purchase will be made if the qualifying facility cannot satisfy the Company's capacity need or the Company does not have a capacity need.

The Commission finds that the proposed changes to Duke Kentucky's Cogen Tariffs should be approved except as discussed below.

Capacity Rate. Duke Kentucky's calculation of the capacity rate used an ROE of 10.3 percent. As the ROE approved in this proceeding is 9.725 percent, the Commission has recalculated the capacity rate using an ROE of 9.725 percent and will approve a capacity rate of \$3.61 per kW-month.

Language related to Capacity Purchases. 807 KAR 5:054, Section 6 states, in relevant part, as follows:

(1) Each electric utility shall purchase any energy and capacity which is made available from a qualifying facility except as provided in subsections (2) and (3) of this section.

(2) The qualifying facility's right to sell power to the utility shall be curtailed in periods when purchases from qualifying facilities will result in costs greater than those which the utility would incur if it generated an equivalent amount of energy instead of purchasing that energy.

(3) During any system emergency, an electric utility may discontinue:

(a) Purchases from a qualifying facility if such purchases would contribute to such emergency; and

(b) Sales to a qualifying facility if discontinuance is nondiscriminatory.

The Commission finds that Duke Kentucky's proposed language stating that no capacity purchase will be made if the qualifying facility cannot satisfy Duke Kentucky's capacity need or when Duke Kentucky does not have a capacity need is inconsistent with the requirements of 807 KAR 5:054, Section 6(1). The regulation requires Duke Kentucky to purchase energy and capacity from a qualifying facility except as set forth in subsections 2 and 3, both of which do not apply in the language proposed by Duke Kentucky. Therefore, the proposed language should not be approved.

In addition, Duke Kentucky is reminded that 807 KAR 5:054, Section 5, requires all electric utilities with annual retail sales greater than 500 million kWhs to provide data to the Commission from which avoided costs may be derived not less often than every two years unless otherwise determined by the Commission.

Rider DCI and Targeted Underground Program. Duke Kentucky requests authority to implement Rider DCI to recover the incremental capital costs, above what is to be included in base rates, for specific Commission-approved programs aimed at accelerating, improving, and enhancing the performance of Duke Kentucky's electric delivery system in terms of reliability and integrity.<sup>145</sup> Duke Kentucky states that Rider DCI is modeled after similar Commission-approved programs for its gas operations as well as similar mechanisms implemented in by its affiliates in Ohio and Indiana.<sup>146</sup> Duke Kentucky explains that it will file an annual application to set and true-up its Rider DCI for the duration of a Commission-approved program.<sup>147</sup> The annual applications will

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<sup>145</sup> Henning Testimony at 24.

<sup>146</sup> *Id.*

<sup>147</sup> *Id.*

establish new rider rates based on the actual incremental investment in the eligible plant in service as of the end of each calendar year. The revenue requirement for the rider will include a return on incremental rate base, income taxes on the equity component of the return, property taxes, and depreciation expense associated with the incremental investment. The rider will not include recovery of incremental O&M expenses. Duke Kentucky is proposing to allocate the resulting revenue requirement based on the allocation factors used for the underground distribution equipment from its COSS.

Duke Kentucky is seeking authority for a CPCN to implement a Targeted Underground program to be included in Rider DCI.<sup>148</sup> Duke Kentucky maintains that due to the advancements in consumer electronics, customer expectations are evolving and customers are requiring a higher degree of reliability, performance, and response with respect to the provision of electric service.<sup>149</sup> As part of its philosophy to evolve to meet new and growing customer demands, Duke Kentucky is proposing to implement a Targeted Underground program, which will identify specific areas of the company's distribution system that experience higher-than-acceptable frequency of outages and replace overhead wires with underground cables to harden the system, thereby increasing reliability.<sup>150</sup> The Targeted Underground program will focus on undergrounding certain small overhead distribution conductors which have been identified as having the highest likelihood of outages within Duke Kentucky's distribution

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<sup>148</sup> *Id.*

<sup>149</sup> Platz Testimony at 20.

<sup>150</sup> Platz Testimony at 25.

system.<sup>151</sup> The types of overhead line segments that have performed worse as compared to the remainder of Duke Kentucky's overhead facilities are remote lines that are located close to trees and certain line segments located along major thoroughfares.<sup>152</sup> Tree-related customer interruptions and public action (i.e., cars crashing into poles) customer interruptions account for 18 percent and 9 percent, respectively, of all customer interruptions for Duke Kentucky.<sup>153</sup> Duke Kentucky states that it will also ultimately take ownership of those underground service lines that are replaced either as part of the Targeted Underground program or existing customer-owned underground service lines that experience a failure and are replaced by Duke Kentucky.<sup>154</sup> Duke Kentucky maintains that hardening these underperforming line segments provides broad benefits for all customers while addressing these poor performing areas.<sup>155</sup> Over the next 10 years, Duke Kentucky expects to spend approximately \$67 million as part of its Targeted Underground efforts.<sup>156</sup>

The Attorney General, Kroger, and NKU recommend that Rider DCI be rejected. The Attorney General argues that automatic capital and investment adjustment clauses, such as Rider DCI, are poor policies and do not allow the requisite amount of regulatory review that is provided in a full base-rate proceeding.<sup>157</sup> The Attorney General contends

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<sup>151</sup> Platz Testimony at 25–26.

<sup>152</sup> Platz Testimony at 27.

<sup>153</sup> *Id.*

<sup>154</sup> Platz Testimony at 26.

<sup>155</sup> *Id.*

<sup>156</sup> Platz Testimony at 28–29.

<sup>157</sup> Baudino Testimony at 46.

that Duke Kentucky has failed to quantify any customer benefits associated with either Rider DCI or the Targeted Underground Program.<sup>158</sup> The Attorney General also contends that the areas that have been identified by Duke Kentucky as experiencing higher than average outages should be considered a high priority and addressed by the company as part of its normal budgeting and system operations regardless of the existence of Rider DCI.<sup>159</sup> Should the Commission consider approving Rider DCI, the Attorney General recommends that the Commission take the following into consideration: 1) Rider DCI should be limited to a three-year pilot program; 2) Duke Kentucky should only be allowed to include actual investment costs after the year they are closed to plant in service; 3) the inclusion of a yearly 2.5 percent cap on rate increases associated with Rider DCI; 4) the inclusion of a cumulative cap of 5 percent on rate increases from Rider DCI between base rate cases; and 5) offsets that reflect the build-up of accumulated depreciation and ADIT associated with investments included in Rider DCI during the period that the mechanism is in effect.<sup>160</sup>

NKU states that Duke Kentucky has not demonstrated that the costs to be recovered through Rider DCI are volatile, unpredictable, or outside its control.<sup>161</sup> NKU argues that the risk of recovery of these costs is mitigated by Duke Kentucky's use of a forecasted test year and that, to the extent the projects that would be recovered under Rider DCI are prudent projects that are beneficial to consumers, Duke Kentucky should

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<sup>158</sup> Baudino Testimony at 47.

<sup>159</sup> Baudino Testimony at 49.

<sup>160</sup> Baudino Testimony at 52–54.

<sup>161</sup> Direct Testimony of Brian C. Collins at 14.

plan the projects as part of the normal capital budgeting process and include the project costs in future rate cases.<sup>162</sup>

Kroger argues that the proposed DCI rider amounts to single-issue ratemaking and reduces Duke Kentucky's incentive to manage its costs effectively, particularly with respect to the proposed Targeted Underground program.<sup>163</sup>

On rebuttal, Duke Kentucky asserts that recovery of any costs associated with the proposed Targeted Underground program through Rider DCI will be subjected to greater scrutiny because those would be the only costs that would be the subject of review in any Rider DCI proceeding.<sup>164</sup> Duke Kentucky avers that in these separate rider proceedings, the company would have more detailed cost estimates for the near-term work to be performed and would not be able to recover costs until the plant was in service.<sup>165</sup> Thus, according to Duke Kentucky, the Commission would have greater transparency into how Duke Kentucky's program is impacting reliability performance for customers.<sup>166</sup> Further, Duke Kentucky maintains that it would have the burden of proof that any new program would be reasonable and performed at a reasonable cost prior to cost recovery being included in Rider DCI.<sup>167</sup>

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<sup>162</sup> *Id.*

<sup>163</sup> Bieber Testimony at 4, 13–14.

<sup>164</sup> Rebuttal Testimony of Anthony J. Platz ("Platz Rebuttal") at 3.

<sup>165</sup> *Id.*

<sup>166</sup> *Id.*

<sup>167</sup> Platz Rebuttal at 5.

Duke Kentucky also takes issue with the Attorney General's argument that the company has failed to quantify the benefits of the proposed Targeted Underground program, noting that the company provided those quantifications in response to the Attorney General's discovery requests, which were referenced by one of the Attorney General's witnesses in the pre-filed testimony.<sup>168</sup> Duke Kentucky argues that the Targeted Underground program would reduce major event day ("MED") outage events by 16 percent and reduce MED outage duration by 15–20 percent.<sup>169</sup>

Having reviewed the record, the Commission finds that Duke Kentucky has failed to establish a need for either Rider DCI or the Targeted Underground program. Rider DCI and the Targeted Underground program are designed to improve and enhance Duke Kentucky's electric distribution system and to allow Duke Kentucky timely cost recovery of those investments. The record, however, indicates that Duke Kentucky's electric distribution system is performing well based on customer expectations and reliability metrics. As noted in the pre-filed testimony of Mr. James P. Henning and according to a J.D. Power 2017 Electric Utility Residential Customer Satisfaction Study, the overall satisfaction scores of Duke Kentucky Energy Midwest, which includes Duke Kentucky, outperformed both the Midwest Region average scores and the large utility industry average, finishing in the second quartile among large utilities nationally.<sup>170</sup> The J.D. Power 2017 Electric Utility Residential Customer Satisfaction Study calculates overall

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<sup>168</sup> Platz Rebuttal at 5–6.

<sup>169</sup> Platz Rebuttal at 7.

<sup>170</sup> Henning Testimony at 13; *See also*, Henning Testimony, Exhibit JPH–1.

customer satisfaction based on six performance areas.<sup>171</sup> One of those performance areas is power quality and reliability, which was weighted the highest at 28 percent.<sup>172</sup>

In addition, Duke Kentucky conducts internal customer satisfaction studies, which surveys residential customers who have had a recent service interaction with the company.<sup>173</sup> The internal customer satisfaction surveys show that Duke Kentucky customers were highly satisfied overall with the services provided by Duke Kentucky and that the level of customer satisfaction was either steady or improving.<sup>174</sup> In particular, one of the processes measured in the internal customer satisfaction study was outage restoration and experiences.<sup>175</sup> The study indicates that 77 percent of Duke Kentucky residential customers were highly satisfied with their overall outage and restoration experience.<sup>176</sup>

Lastly, Duke Kentucky witness Anthony J. Platz testified that Duke Kentucky's distribution system has performed well and that the company's reliability scores have exceeded industry average reliability scores and are among the best performing throughout Duke Energy's six-state electric service areas.<sup>177</sup>

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<sup>171</sup> Henning Testimony at 12.

<sup>172</sup> Henning Testimony, Exhibit JPH-1 at 2 of 17.

<sup>173</sup> Henning Testimony at 13.

<sup>174</sup> Henning Testimony at 14.

<sup>175</sup> Henning Testimony at 14-15.

<sup>176</sup> Henning Testimony, Exhibit JPH-2 at 2-3 of 24.

<sup>177</sup> Platz Testimony at 13-15. Duke Kentucky's 2016 Customer Average Interruption Duration Index ("CAIDI"), which measures the average interruption duration or average time to restore service per interrupted customer was 130 minutes, excluding major event days. Duke Kentucky's 2016 System Average Interruption Duration Index ("SAIDI"), which measures the average time each customer was interrupted, 99 minutes, excluding major event days. Duke Kentucky's 2016 System Average Interruption Frequency Index ("SAIFI"), which measures the average number of interruptions that a customer would experience, was 0.76 interruptions, excluding major event days.

Duke Kentucky states that Rider DCI is modeled after its existing riders to recover costs associated with the accelerated replacements of gas pipeline mains and service lines. We note, however, that the need to have a surcharge mechanism to timely recover the substantial investments required to replace aging and bare steel gas pipelines with polyethylene pipelines was based on a public safety concern that those gas pipelines be replaced on an accelerated schedule in order to minimize the risk of a catastrophic pipeline failure. In the instant proceeding, Duke Kentucky has identified no critical system-wide need to justify the implementation of a surcharge to recover costs associated with improvements to the company's distribution system. We note that the proposed Targeted Underground program targets only discrete sections of Duke Kentucky's distribution system that have experienced higher outage occurrences as compared to the rest of the company's distribution system.<sup>178</sup> The Targeted Underground program would impact approximately 5,600 customers over the next 10 years, but at a cost of almost \$67 million.<sup>179</sup> While Duke Kentucky projects that there will be a reduction in MED outage events by 16 percent and a reduction in MED outage duration by 15–20 percent, the Targeted Underground program would have no impact on the projected frequency of system outages as measured by SAIFI and would have very little impact in the projected duration of a customer's outage as measured by SAIDI.<sup>180</sup> Given the absence of a need

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<sup>178</sup> Duke Kentucky identified approximately 140 miles of overhead distribution lines that will need to be placed underground and approximately 5,600 customers impacted by the Targeted Underground program over the next 10 years. See, Duke Kentucky's response to the Attorney General's Second Data Request, Item 41.

<sup>179</sup> Platz Testimony at 28 – 29.

<sup>180</sup> Duke Kentucky's response to the Attorney General's First Data Request, Item 89. Duke Kentucky forecasted that system-wide SAIDI would improve by from 66 minutes to 60 minutes due to the Targeted Underground program.

and the limited impact of the proposed Targeted Underground program and Rider DCI, the Commission finds that any such distribution related improvements should be performed by Duke Kentucky as part of its normal operations and those costs should be recovered in base rates and not through a surcharge mechanism.

Rate UDP-R, Underground Residential Distribution Policy. Duke Kentucky is proposing to add language to this tariff to create the ability for the Company to pay for and own, with revenues to be recovered through Rider DCI, underground installations associated with the Targeted Underground program. Since neither Rider DCI nor the Targeted Underground program are being approved, the Commission denies this tariff change.

Rate UDP-G, General Underground Distribution Policy. Duke Kentucky is proposing to add language to this tariff to create the ability for the Company to pay for and own, with revenues to be recovered through Rider DCI, underground installations associated with the Targeted Underground program. Since neither Rider DCI nor the Targeted Underground program are being approved, the Commission denies this tariff change.

Rate RTP. Duke Kentucky is proposing to combine the energy delivery charge and ancillary services charge. Duke Kentucky is also proposing to correct the reference to the "PJM Real-Time Total Locational Marginal Price" to "PJM Day-Ahead Total Locational Marginal Price." There were no objections to this tariff change from the intervenors. The Commission finds that the proposed tariff change is reasonable and should be approved.

Rider FTR, FERC Transmission Cost Reconciliation Rider. Duke Kentucky is proposing to implement Rider FTR, which is intended to recover or credit specific PJM transmission costs. The specific costs include network integration transmission service, both firm and non-firm point-to-point market administration fees, and potentially other transmission costs that may be billed in the future related to serving retail load that is above or below the level included in the Company's base rates established in this proceeding. Duke Kentucky is also proposing that the rider track incremental changes in costs associated with PJM's Regional Transmission Expansion Plan costs that are incremental to what the Company is proposing to include in its base rates.<sup>181</sup>

On a quarterly basis, Duke Kentucky proposes to adjust Rider FTR based on the most recent actual monthly invoices received from PJM. Duke Kentucky also proposes to submit to an annual review of this rider by the Commission of the invoiced costs and the revenue collected under the rider. The rider will be filed 30 days before it is scheduled to go into effect.<sup>182</sup>

Both the Attorney General and NKU filed testimony recommending that Rider FTR be rejected by the Commission. The Attorney General's witness, Mr. Lane Kollen, states that the rider would increase the retail revenue requirement in real time based on net expense pursuant to FERC tariffs, and would change recovery from a fixed amount based on the test-year expense revised with periodic base rate increases to a series of automatic quarterly Rider FTR rate increases. Mr. Kollen also states that Rider FTR "would change

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<sup>181</sup> Wathen Testimony at 18.

<sup>182</sup> Wathen Testimony at 19.

Duke Kentucky's incentives to attempt to influence these expenses or to reduce other expenses to compensate for the increases in these expenses due to the selective single nature of these expenses."<sup>183</sup> NKU witness Mr. Brian Collins argues that Duke Kentucky has not demonstrated that the incremental transmission costs not included in base rates proposed to be recovered through Rider FTR would significantly impact Duke Kentucky's ability to earn its authorized rate of return.

After reviewing the evidence of record in this proceeding, the Commission finds that Duke Kentucky's proposed Rider FTR should not be approved. Although the Commission is aware that it recently approved a similar rider for Kentucky Power in Case No. 2017-00179, the decision in that proceeding was based on evidence which demonstrated that Kentucky Power's transmission costs were significant and volatile; therefore, the approval of such a rider was warranted in that proceeding. Duke Kentucky testified during the hearing in this matter that Duke Kentucky's transmission rates are significantly less than those for Kentucky Power and "the volatility has a much bigger impact" on Kentucky Power than Duke Kentucky.<sup>184</sup> The Commission finds no evidence in this proceeding to suggest that the proposed FTR is warranted for Duke Kentucky at this time.

Budget Payment Plan. Duke Kentucky's current and initially proposed tariff do not comply with 807 KAR 5:006, Section 14(2)(a)(3), which requires that the provisions of the budget payment plan be included in a utility's tariffed rules. Through discovery, Duke

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<sup>183</sup> Kollen Testimony at 62.

<sup>184</sup> March 7, 2018 Hearing at 3:50:48.

Kentucky indicated that it would be willing to include the provisions of the budget payment plan in its tariff.<sup>185</sup> Duke Kentucky is directed to do so when filing its compliance tariff.

Pick Your Own Due Date and Usage Alerts and Outage Alerts with AMI. Duke Kentucky is proposing to implement a pick your own due date billing option and a Usage Alerts and Outage Alerts with AMI service; however, Duke Kentucky did not include the provisions of these items in its proposed tariff. Through discovery, Duke Kentucky indicated that it would be willing to include the provisions of these programs/services in its tariff.<sup>186</sup> Duke Kentucky is directed to do so when filing its compliance tariff.

Miscellaneous Tariff Changes. Duke Kentucky is proposing various minor text changes to its tariff. Unless otherwise stated in this Order, the Commission finds that the proposed changes are reasonable and should be approved.

Bill and Bill Format. Duke Kentucky is proposing to update its bill format to reflect the riders proposed in this case and the new company logo. The Commission approves Duke Kentucky's proposal to change its bill format to the extent that the bill reflects the riders and rates approved herein.

Duke Kentucky's tariff contains its bill format, which consists of three pages. However, when Duke Kentucky bills its customers, it does not include page 2, which contains the billing details, unless the customer checks a block that indicates he or she would like to receive page 2. The Commission finds that page 2 provides customers with the ability to check the accuracy of the bill and should be sent to every customer. With this Order, the Commission will require the entire bill be sent to every customer, thereby

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<sup>185</sup> Duke Kentucky's Response to Staff's Second Request, Item 9 c.

<sup>186</sup> Duke Kentucky's Response to Commission Staff's Third Request for Information ("Staff's Third Request"), Item 6 b.

eliminating the requirement that the customer elect to receive the entire bill. This directive applies to all Duke Kentucky customers, including those that are gas customers only.

Tariff Format. Numerous tariff pages Duke Kentucky submitted in this case did not appear to comply with 807 KAR 5:006, Section 3(4), which states "[e]ach tariff sheet shall contain a blank space at its bottom right corner that measures at least three and one-half (3.5) inches from the right of the tariff sheet by two and one-half (2.5) inches from the bottom of the tariff sheet to allow space for the commission to affix the commission's stamp." This ensures that no language is obscured by the Commission's stamp. When filing its compliance tariff reflecting the rates, rules, and terms of service approved in this Order, Duke Kentucky should ensure that all of its tariff pages comply with 807 KAR 5:006, Section 3(4).

Rider DSM, Demand-Side Management. The Commission finds that, upon the implementation of new base rates, the Lost Revenue from Lost Sales Recovery component of Duke Kentucky's DSM cost-recovery rider should be reset to zero. Duke Kentucky's compliance tariff should reflect this revision to Rider DSM.

KSBA Recommendations. The KSBA made certain recommendations that the Commission will address herein.

1. Elimination of Demand Ratchet from Rate DS. KSBA witness Mr. Ron Willhite recommends that the Commission eliminate the demand ratchet from Rate DS for P-12 public and private schools or alternatively minimize the demand ratchet for said schools billed under this rate schedule. KSBA argues that Duke Kentucky is a summer peaking utility and that schools are not typically in session during the summer peak but peak during the month of September. As a result, because of the demand ratchet for

Rate DS, a school's September billing demand becomes the basis for demand billing in many of the non-summer revenue months. Mr. Willhite states that schools billed under Rate DS are subsidizing other customers within the class and that the demand ratchet for schools should be eliminated or reduced. As an alternative, Mr. Willhite suggests the establishment of a new P-12 School Tariff. Duke Kentucky opposes the creation of a new P-12 School Tariff, stating that Mr. Willhite provided no information that specifically demonstrates how the energy demand requirements of schools are substantially dissimilar from other Rate DS Rate DS.

The Commission is not convinced that public school usage characteristics support special treatment compared to other customers serviced under Rate DS and will not approve KSBA's recommendation.

2. Rate SP, Seasonal Sports Service. KSBA recommends that the Commission allow some sports fields to move to Rate SP. Currently, Rate SP is a closed tariff and has been closed since June 25, 1981. According to KSBA, subsequent to 1981 new sports fields are being served on Rate DS and must pay a demand charge and minimum payments based on off-peak night-time load in the months they are not in full operation. KSBA argues that sports fields clearly are not similar to other commercial and industrial loads served on Rate DS. KSBA states that it is aware of three sports fields that are interested in taking service under the closed tariff. Duke Kentucky is opposed to reopening the tariff, stating that KSBA has not met the burden of proof to establish the reasonableness of re-opening Rate SP.

At the hearing in this matter, Duke Kentucky could not explain why the tariff was closed or whether it had been reopened temporarily over the intervening years. In its

post-hearing brief, Duke Kentucky stated that it was closed due to lack of interest and has remained closed since 1981. The Commission finds that the load for sports fields would differ significantly from that of other customers and that Duke Kentucky should be directed to reopen Rate SP permanently. Given that there will be a revenue impact to Duke Kentucky if current customers move to Rate SP, the Commission will allow Duke Kentucky to defer the difference between what it would have billed the sports field customer under its current rate and what it will bill under Rate SP as a regulatory asset and request recovery in its next base-rate proceeding.

3. Funding for SEMP, School Energy Manager Program. KSBA recommends that the Commission require Duke Kentucky to fund the SEMP through shareholder funds. Mr. Willhite states that public schools must pursue energy savings pursuant to KRS 160.325 and that SEMP has significantly improved cost savings for schools in the territories of other jurisdictional utilities. Duke Kentucky opposes Mr. Willhite recommendation, stating that he does not "offer any evidence that shows the Company's choice not to fund SEMP to date has somehow prevented school districts in the Company's service territory from moving forward with meaningful energy efficiency programs."<sup>187</sup>

The Commission agrees with Duke Kentucky on this issue and will not approve KSBA's recommendation to require Duke Kentucky to fund SEMP.

#### 2018 ENVIRONMENTAL COMPLIANCE PLAN AND ENVIRONMENTAL SURCHARGE

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<sup>187</sup> Duke Kentucky's Post-Hearing Brief at 119–120.

As part of this proceeding, Duke Kentucky filed an application, pursuant to KRS 278.183, for authority to establish and assess an environmental surcharge rider ("Rider ESM") and for approval of its environmental compliance plan ("2018 Plan").<sup>188</sup> KRS 278.183 provides that a utility shall be entitled to the current recovery of its costs of complying with the Federal Clean Air Act ("CAA") as amended and those federal, state, or local environmental requirements that apply to coal combustion wastes and by-products from facilities utilized for the production of energy from coal. Pursuant to KRS 278.183(2), a utility seeking to recover its environmental compliance costs through an environmental surcharge must first submit to the Commission a plan that addresses compliance with the applicable environmental requirements. The plan must also include the utility's testimony concerning a reasonable return on compliance-related capital expenditures and a tariff addition containing the terms and conditions of the proposed surcharge applied to individual rate classes. Within six months of submission, the Commission must conduct a hearing to:

- (a) Consider and approve the compliance plan and rate surcharge if the plan and rate surcharge are found reasonable and cost-effective for compliance with the applicable environmental requirements;
- (b) Establish a reasonable return on compliance-related capital expenditures; and
- (c) Approve the application of the surcharge.

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<sup>188</sup> Duke Kentucky's Application and witness testimony refers to the environmental compliance plan as the 2017 Plan. In prior compliance plan orders, the Commission has named the plan according to the year in which the order is issued. Accordingly, the Commission will refer to the subject environmental compliance plan as the 2018 Plan.

## The 2018 Environmental Compliance Plan

As required by KRS 278.183, Duke Kentucky filed its 2018 Plan, consisting of five projects necessary to comply with the CAA or other environmental regulations applicable to coal combustion wastes and by-products. Duke Kentucky's 2018 Plan reflects environmental compliance costs at its only coal-fired generation facility, East Bend. The projects include:<sup>189</sup>

1. Project EB020290 Lined Retention Basin West;
2. Project EB020745 Lined Retention Basin East;
3. Project EB020298 East Bend SW/PW Reroute;
4. ARO amortization for Pond Closure; and
5. Consumables (Reagents and emission allowances).

The 2018 Plan includes projects that were previously approved Case Nos. 2015-00187<sup>190</sup> and 2016-00398.<sup>191</sup> At the time of the filing of this case, two projects at East Bend were in progress, with planned in-service dates after the test period in this proceeding.<sup>192</sup>

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<sup>189</sup> Application at 16.

<sup>190</sup> Case No. 2015-00187, *Application of Duke Energy Kentucky Inc. for an Order Approving the Establishment of a Regulatory Asset for the Liabilities Associated with Ash Pond Asset Retirement Obligations* (Ky. PSC Dec. 15, 2015). The Commission approved Duke Kentucky's proposed accounting treatment to classify ARO costs for the East Bend Ash Pond, including amortization and depreciation expenses, closure costs, and carrying charges on the unamortized balance as regulatory assets for 2015 and subsequent years ("East Bend Coal Ash ARO regulatory asset").

<sup>191</sup> Case No. 2016-00398, *Electronic Application of Duke Energy Kentucky, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Company to Close the East Bend Generation Station Coal Ash Impoundment and for All Other Required Approvals and Relief* (Ky. PSC June 6, 2017). Duke Kentucky received certificates of public convenience and necessity to close and repurpose its existing East Bend ash impoundment and construct new water redirection and wastewater treatment systems.

<sup>192</sup> Application at 17. Construction has begun for the process water system and pond repurposing projects.

Duke Kentucky states that the pollution control projects included in the 2018 Plan amendment are necessary for Duke Kentucky to comply with the CAA and other federal, state, and local regulations, which apply to coal combustion wastes and by-products from facilities utilized for the production of energy from coal.

#### Environmental Requirements

Clean Air Interstate Rule and Cross-State Air Pollution Rule. The Clean Air Interstate Rule ("CAIR") and Cross-State Air Pollution Rule ("CSAPR") are regional rules that set state-level annual standards for the emission of sulfur dioxide ("SO<sub>2</sub>") and nitrogen oxides ("NO<sub>x</sub>") from electric generating units.<sup>193</sup> Published in the Federal Register on October 26, 2016, the CSAPR Update reduced the number of ozone season NO<sub>x</sub> allowances for East Bend effective January 1, 2017.<sup>194</sup> The East Bend selective catalytic reduction controls and allowances from Duke Kentucky's retired Miami Fort Unit 6 station are expected to comply with the CSAPR Update, but East Bend can also buy allowances on the market if necessary.<sup>195</sup>

CCR Rule. Coal combustion residuals ("CCRs") include fly ash, bottom ash, and flue-gas desulfurization byproducts. The Disposal of Coal Combustion Residuals from Electric Utilities Final Rule ("CCR Rule") was published as a Subtitle D, nonhazardous waste rule on April 17, 2015. The CCR Rule includes dam safety requirements for ash ponds and new requirements for the handling, disposal, and beneficial reuse of CCRs

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<sup>193</sup> Direct Testimony of Tammy Jett ("Jett Testimony") at 5.

<sup>194</sup> *Id.*

<sup>195</sup> *Id.* at 6.

except when reused in encapsulated applications, such as concrete and wallboard.<sup>196</sup> Together with the Steam Electric Effluent Limitation Guidelines Final Rule ("ELG Rule"), the CCR Rule requires dry handling of fly and bottom ash, increased use of landfills, closure of existing wet ash storage ponds, and alternative wastewater treatment systems.<sup>197</sup>

ELG Rule. The ELG Rule was published on November 3, 2015, and sets requirements for wastewater streams, including fly ash and bottom ash wastewaters, at steam electric generating units.<sup>198</sup> Compliance activities include converting ash handling systems from wet to dry handling and clean closure of the existing East Bend Ash Pond. The ELG Rule compliance deadline was originally set for November 1, 2018, through December 31, 2023, but has been stayed as the EPA requests reconsideration. However, East Bend's compliance projects schedules are not impacted, as the ELG Rule was not the only driver.<sup>199</sup>

#### RIDER ESM

Duke Kentucky is proposing a new tariff to implement Rider ESM. Through discovery, Duke Kentucky was made aware of inconsistencies in the Rider ESM tariff and proposed changes through rebuttal testimony to make the tariff consistent with the proposed mechanism.<sup>200</sup> The Commission finds that the tariff as discussed and modified

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<sup>196</sup> Jett Testimony at 11–12.

<sup>197</sup> *Id.* at 12.

<sup>198</sup> *Id.* at 12–13.

<sup>199</sup> *Id.*

<sup>200</sup> Lawler Rebuttal at 12–13.

in this order should become effective for service rendered on and after the date of this order.

Costs Associated with the 2018 Plan. Duke Kentucky proposes to recover the costs associated with the amortization of the East Bend Coal Ash ARO regulatory asset, including projected costs, on a levelized basis over ten years.<sup>201</sup> The Attorney General recommends that the Commission authorize recovery of current ARO-related costs in the second month after they are incurred and of amortization of only previously incurred costs.<sup>202</sup> The Attorney General explains that KRS 278.183(2) allows recovery of environmental compliance costs "in the second month following the month in which they are incurred" and, furthermore, that recovery of ARO-related costs before they are actually incurred would result in increased current income tax expense and negative deferred income tax expense, which would increase E(m).<sup>203</sup> The Commission concurs with the Attorney General that KRS 278.183 does not allow for recovery of projected or estimated costs. Therefore, the Commission finds that Duke Kentucky should amortize only the actual balance of the East Bend Coal Ash ARO regulatory asset over 10 years and recover additional actual costs associated with the settlement of the East Bend Coal Ash ARO in the second month after they are incurred.

Duke Kentucky has identified the environmental compliance costs for the 2018 Plan projects and these are the costs that Duke Kentucky proposes to recover through

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<sup>201</sup> Lawler Testimony at 11-12.

<sup>202</sup> Kollen Testimony at 60.

<sup>203</sup> *Id.* at 59-60.

its environmental surcharge. Duke Kentucky has removed these costs from the base period and excluded these costs from its forecasted period in this proceeding to ensure that no costs are recovered through its base rates and Rider ESM.<sup>204</sup> The costs identified here by Duke Kentucky, as modified above, are eligible for surcharge recovery if they are shown to be reasonable and cost-effective for complying with the environmental requirements specified in KRS 278.183. The Commission finds that the costs identified for the 2018 Plan projects have been shown to be reasonable and cost-effective for environmental compliance. Thus, they are reasonable and should be approved for recovery through Duke Kentucky's environmental surcharge.

Qualifying Costs. The qualifying costs included in E(m) will reflect only the Commission-approved environmental projects from the 2018 Plan. Should Duke Kentucky desire to include other environmental projects in the future, it will have to apply for an amendment to its approved compliance plan.

Rate of Return. As specified in this order, Duke Kentucky is authorized to use a 9.725 percent return on equity that will be utilized in Rider ESM to determine the Weighted Average Cost of Capital ("WACC").

Capitalization and Gross Revenue Conversion Factor. As specified in this order and proposed by Duke Kentucky, Duke Kentucky should utilize a WACC of 6.830 percent and a gross revenue conversion factor ("GRCF") of 1.337304<sup>205</sup> in determining the rate of return to be used in the monthly environmental surcharge filings. Duke Kentucky

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<sup>204</sup> Application at 17 and Lawler Testimony at 9.

<sup>205</sup> Lawler Rebuttal, Attachment SEL-Rebuttal-2(b), page 3 of 11. Duke Kentucky's proposed GRCF has been updated for the 21 percent federal income tax rate.

proposes to update the WACC and GRCF when it files a base rate case. The WACC and GRCF should remain constant until such time as the Commission sets base rates in Duke Kentucky's next base rate case proceeding.

Surcharge Mechanism and Calculation. As proposed by Duke Kentucky, the environmental revenue requirement ("E(m)") is comprised of a return on the environmental compliance rate base, plus specified environmental compliance operating expenses, less proceeds from emission allowance sales, plus or minus prior period adjustments as determined by the Commission during six-month and two-year review cases, plus or minus surcharge over- or under-recovery adjustments.<sup>206</sup> Environmental compliance rate base is defined as electric plant in service for specified environmental compliance projects adjusted for accumulated depreciation, accumulated deferred income taxes, accumulated investment tax credits, construction work in progress, and emission allowance inventory.

To calculate the monthly Rider ESM factor, Duke Kentucky proposes to divide the E(m) by the average revenues excluding Rider ESM revenue of the preceding 12-month period ("R(m)").

Surcharge Allocation. Duke Kentucky proposes to allocate the E(m) to residential<sup>207</sup> and nonresidential<sup>208</sup> rate schedules on the basis of the percentage of total

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<sup>206</sup> Lawler Rebuttal, Attachment SEL-Rebuttal 1(b).

<sup>207</sup> *Id.* Residential includes the following rate schedules: Residential Service.

<sup>208</sup> *Id.* Nonresidential includes the following rate schedules: Service at Secondary Distribution Voltage, Optional Rate for Electric Space Heating, Seasonal Sports Service, Service at Primary Distribution Voltage, Time-of-Day Rate for Service at Distribution Voltage, General Service Rate for Small Fixed Loads, Time-of-Day Rate for Service at Transmission Voltage, Street Lighting Service, Traffic Lighting Service, Unmetered Outdoor Lighting, Street Lighting Service for Nonstandard Units, Street Lighting Service – Customer Owned, Street Lighting Service – Overhead Equipment, and LED Outdoor Lighting Service.

R(m) for the 12-month period ending with the current expense month. Rider ESM will be implemented as a percentage of R(m) for the Residential rate schedule and as a percentage of R(m) excluding fuel revenues for Nonresidential rate schedules.<sup>209</sup>

Duke Kentucky proposes to utilize a jurisdictional allocation ratio of 100 percent to allocate E(m) to native retail customers because Duke Kentucky has no firm wholesale customers and PJM Manual 15 does not allow nonvariable production costs to be included in offer cost components.<sup>210</sup> The Commission finds this argument unpersuasive.<sup>211</sup> The jurisdictional allocation ratio should be calculated as total jurisdictional retail revenues excluding Rider ESM revenues, divided by total company revenues excluding Rider ESM revenues, consistent with all other electric utilities that have an environmental surcharge mechanism pursuant to KRS 278.183.

Monthly Reporting Forms. Duke Kentucky provided proposed monthly reporting forms to be used in the monthly environmental reports.<sup>212</sup> Duke Kentucky provided revised forms to make clerical adjustments and revisions necessary to align the forms with the revised Rider ESM tariff.<sup>213</sup> The Commission finds that Duke Kentucky's proposed monthly environmental surcharge reporting forms, as revised through testimony and this order, should be approved.

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<sup>209</sup> Lawler Rebuttal at 12.

<sup>210</sup> Lawler Testimony, Attachment SEL-2, page 2 of 10, and Duke Kentucky's response to Commission Staff's Third Request for Information ("Staff's Third Request"), Item 3.

<sup>211</sup> See Case No. 1994-00332, *The Application of Louisville Gas and Electric Company for Approval of Compliance Plan and to Assess a Surcharge Pursuant to KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products* (Ky. PSC Apr. 6, 1995), Order Denying Rehearing at 1-2.

<sup>212</sup> Lawler Testimony, Attachment SEL-2.

<sup>213</sup> Lawler Rebuttal, Attachments SEL-Rebuttal-2(a) and SEL-Rebuttal-2(b).

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Duke Kentucky are denied.
2. The rates and charges, as set forth in Appendix C to this Order, are approved as fair, just, and reasonable rates for Duke Kentucky and these rates and charges are approved for service rendered on and after April 14, 2018.
3. Duke Kentucky's depreciation rates, as modified herein, are approved.
4. Duke Kentucky's proposal for a deferral mechanism for planned outage expense is approved.
5. Duke Kentucky's request to amortize the East Bend O&M regulatory asset over a ten-year period is approved.
6. Duke Kentucky's carrying charges on the East Bend O&M regulatory asset shall be based on its cost of debt.
7. Duke Kentucky request to amortize the East Bend Ash Pond ARO over a ten-year period is approved.
8. Duke Kentucky proposal for a deferral mechanism for replacement power expense is approved.
9. Duke Kentucky, in conjunction with DEBS, shall bid the next MAVMS contract for the Midwest market that includes Kentucky, Indiana, and Ohio and for a smaller geographic area limited to Duke Kentucky's service territory. The smaller geographic area shall include Duke Kentucky's service territory by itself or by county or such other discrete area(s) within its service territory that it deems to be reasonable. Duke Kentucky shall also provide an update of this process in each annual VMP filings beginning with the 2019 VMP.

10. Duke Kentucky's request to implement a Fixed Bill Program is denied.
11. Duke Kentucky's request to cancel and withdraw Rate RTP – M is approved.
12. Duke Kentucky's request to revise Rate TT as discussed herein is approved.
13. Duke Kentucky's request to revise Rate DT as discussed herein is approved.
14. Duke Kentucky's request to revise Rate LED is approved as modified herein.
15. Duke Kentucky's request to cancel and withdraw Rate OL is approved.
16. Duke Kentucky's request to cancel and withdraw Rate NSP is approved.
17. Duke Kentucky's request to revise Rate LM as discussed herein is approved.
18. Duke Kentucky's request to revise Rate MDC as discussed herein is approved.
19. Duke Kentucky's request to revise Rider GSS as discussed herein is approved.
20. Duke Kentucky's request to revise Rider FAC is approved as directed herein.

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21. Duke Kentucky's request to revise and modify Rider PSM is approved as directed herein. Duke Kentucky shall notify the Commission within seven days of incurring any capacity performance assessments from PJM.

22. Duke Kentucky's request to modify its reconnection fees is approved as modified herein.

23. Duke Kentucky's request to revise Rate CATV is approved as modified herein.

24. Duke Kentucky's request to revise its Cogen Tariffs is denied in part and granted in part. Duke Kentucky's request to include language in its Cogen Tariffs limiting capacity purchases from qualifying facilities is denied. Duke Kentucky's request to revise its capacity rate is approved as modified herein. All other proposed revisions to the Cogen Tariffs are approved.

25. Duke Kentucky's request to implement Rider DCI is denied.

26. Duke Kentucky's request for a CPCN to implement the Targeted Underground program is denied.

27. Duke Kentucky's request to make revisions to Rate UDP – R and Rate UDP – G related to the Targeted Underground program is denied.

28. Duke Kentucky's request to revise Rate RTP as discussed herein is approved.

29. Duke Kentucky's request to implement Rider FTR is denied.

30. Duke Kentucky's 2018 Environmental Compliance Plan is approved.

31. Duke Kentucky shall file its Budget Payment Plan tariff in compliance with 807 KAR 5:006, Section 14(2)(a)(3).

32. Duke Kentucky shall provide to each of its customers, including gas only customers, the entire content of its bills as provided in its tariff.

33. Duke Kentucky shall ensure that all of its tariff pages comply with 807 KAR 5:006, Section 3(4) when filing its compliance tariff reflecting the rates, rules, and terms of service approved herein.

34. Duke Kentucky shall reopen Rate – SP to allow any sports field to receive service under this rate schedule. Duke Kentucky shall be authorized, for accounting purposes only, to defer the difference between what it would have billed the sports field customer under its current rate and what it will bill under Rate SP as a regulatory asset.

35. Duke Kentucky's Rider ESM tariff, as described in this order, is approved for service rendered on and after the date of this order.

36. The Rider ESM reporting formats described in this order shall be used for the monthly environmental surcharge filings.

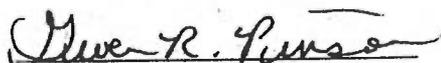
37. Within 20 days of the date of this Order, Duke Kentucky shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates, charges, and modifications approved or as required herein and reflecting their effective date and that they were authorized by this Order.

38. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED  
APR 13 2018  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2017-00321

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2017-00321 DATED **APR 13 2018**

Adjustments	Amounts
Adjust Revenue from Base Period to Test Period	(\$5,133,384)
Adjust Fuel & Purchased Power	(\$1,284,619)
Adjust Other Production Expense	\$12,650,083
Adjust Transmission Expense	\$919,747
Adjust Regional Market Expense	\$79,447
Adjust Distribution Expense	(\$43,555)
Adjust Customer Account Expense	\$671,968
Adjust Customer Service and Information Expense	\$183,121
Adjust Sales Expense	(\$151,501)
Adjust A & G Expense	(\$1,497,124)
Adjust Other Operating Expense	\$2,680,605
Adjust Other Tax Expense	\$2,105,609
Amortization of Deferred Asset	\$463,931
Rate Case Expense	\$120,538
Eliminate ESM Expense from Base Rates	(\$12,398,573)
Interest Expense Adjustment (Net)	(\$107,901)
Eliminate Non-Native Revenue and Expense (Net)	(\$1,823,636)
Amortization of Deferred Depreciation	\$490,618
DSM Elimination (Net)	(\$225,378)
Eliminate Miscellaneous Expense	(\$539,892)
Eliminate Unbilled Revenue	\$3,258,473
Eliminate Merger CTA Expense	(\$237,780)
Annualize PJM Charges and Credits	\$774,947
Annualize East Bend Maintenance	\$4,777,143
Amortization of Deferred Expenses	\$6,247,623
Adjust Uncollectible Expense	(\$1,418,703)
Annualize RTEP Expense	\$1,979,833
Adjust Revenue to Reconcile Schedule M with Budget	\$4,801,375

**APPENDIX B**

**APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2017-00321 DATED APR 13 2018**

**DUKE FILED**

Duke Energy KY Electric			Capital Ratio	Component Costs	Weighted Avg cost	Grossed Up Cost	Revenue Requirement
Capitalization	Adjustment						
Start Term Debt	\$ 73,522,733		10.428%	3.083%	0.321%	\$ 2,266,706	
Long Term Debt	\$ 286,807,753		40.679%	4.243%	1.726%	\$ 12,169,253	
Common Equity	\$ 344,720,654		48.893%	10.30%	5.036%	\$ 57,868,571	
	\$ 705,051,140		100%		7.083%	\$ 72,304,530	

**TAX IMPACT**

Duke Energy KY Electric		Adjusted	Capital Ratio	Component Costs	Weighted Avg cost	Grossed Up Cost	Revenue Requirement	Incremental revenue requirement
Capitalization	Adjustment	Capitalization						
Start Term Debt	\$ 73,522,733	\$ 73,522,733	10.428%	3.083%	0.321%	\$ 2,266,706	\$	\$
Long Term Debt	\$ 286,807,753	\$ 286,807,753	40.679%	4.243%	1.726%	\$ 12,169,253	\$	\$
Common Equity	\$ 344,720,654	\$ 344,720,654	48.893%	10.300%	5.036%	\$ 47,613,375	\$	\$ (10,255,196)
	\$ 705,051,140	\$ 705,051,140	100%		7.083%	\$ 62,049,334	\$	\$ (10,255,196)
			100.000%					

**ST DEBT IMPACT**

Duke Energy KY Electric		Adjusted	Capital Ratio	Component Costs	Weighted Avg cost	Grossed Up Cost	Revenue Requirement	Incremental revenue requirement
Capitalization	Adjustment	Capitalization						
Start Term Debt	\$ 73,522,733	\$ (5,125,578)	9.772%	3.083%	0.301%	\$ 2,108,684	\$	\$ (158,022)
Long Term Debt	\$ 286,807,753	\$ 286,807,753	40.977%	4.243%	1.739%	\$ 12,169,253	\$	\$
Common Equity	\$ 344,720,654	\$ 344,720,654	49.251%	10.300%	5.073%	\$ 47,613,375	\$	\$
	\$ 705,051,140	\$ (5,125,578)	100%		7.113%	\$ 61,891,312	\$	\$ (158,022)
		\$ 699,925,562	100.000%					

**EAST BEND O&M REG ASSET**

Duke Energy KY Electric		Adjusted	Capital Ratio	Component Costs	Weighted Avg cost	Grossed Up Cost	Revenue Requirement	Incremental revenue requirement
Capitalization	Adjustment	Capitalization						
Start Term Debt	\$ 68,397,155	\$ (3,570,734)	9.772%	3.083%	0.301%	\$ 1,998,599	\$	\$ (110,086)
Long Term Debt	\$ 286,807,753	\$ (14,973,186)	40.977%	4.243%	1.739%	\$ 11,533,941	\$	\$ (635,312)
Common Equity	\$ 344,720,654	\$ (17,996,544)	49.251%	10.300%	5.073%	\$ 45,127,663	\$	\$ (2,485,712)
	\$ 699,925,562	\$ (36,540,465)	100%		7.113%	\$ 58,660,202	\$	\$ (3,231,110)

**East End Coal Ash ARO**

Duke Energy KY Electric		Adjusted	Capital Ratio	Component Costs	Weighted Avg cost	Grossed Up Cost	Revenue Requirement	Incremental revenue requirement
Capitalization	Adjustment	Capitalization						
Start Term Debt	\$ 64,826,421	\$ (1,808,733)	9.772%	3.083%	0.301%	\$ 1,942,835	\$	\$ (55,763)
Long Term Debt	\$ 271,834,567	\$ (7,584,575)	40.977%	4.243%	1.739%	\$ 11,212,127	\$	\$ (321,814)
Common Equity	\$ 326,724,110	\$ (9,116,038)	49.251%	10.300%	5.073%	\$ 43,868,541	\$	\$ (1,259,122)
	\$ 663,385,097	\$ (18,509,346)	100%		7.113%	\$ 57,023,504	\$	\$ (1,636,699)

**Carbon Management Reg Asset**

Duke Energy KY Electric		Adjusted	Capital Ratio	Component Costs	Weighted Avg cost	Grossed Up Cost	Revenue Requirement	Incremental revenue requirement
Capitalization	Adjustment	Capitalization						
Start Term Debt	\$ 63,017,687	\$ 19,544	9.772%	3.083%	0.301%	\$ 1,943,438	\$	\$ 603
Long Term Debt	\$ 264,249,992	\$ 81,954	40.977%	4.243%	1.739%	\$ 11,215,604	\$	\$ 3,477
Common Equity	\$ 317,608,072	\$ 98,502	49.251%	10.300%	5.073%	\$ 43,882,147	\$	\$ 13,605
	\$ 644,875,751	\$ 200,000	100%		7.113%	\$ 57,041,189	\$	\$ 17,685

ASL Methodology

	Duke Energy KY Electric				Component	Weighted Avg	Grossed	Revenue	Incremental
	Capitalization	Adjustment	Adjusted Capitalization	Capital Ratio	Costs	cost	Up Cost	Requirement	revenue requirement
Start Term Debt	\$ 63,037,231	\$ 267,098	\$ 63,304,329	9.772%	3.083%	0.301%	0.301%	\$ 1,951,672	\$ 8,235
Long Term Debt	\$ 264,331,946	\$ 1,120,024	\$ 265,451,970	40.977%	4.243%	1.739%	1.739%	\$ 11,263,127	\$ 47,523
Common Equity	\$ 317,706,574	\$ 1,346,177	\$ 319,052,751	49.251%	10.300%	5.073%	6.803%	\$ 44,068,083	\$ 185,936
	\$ 645,075,751	\$ 2,733,299	\$ 647,809,050	100%		7.113%	8.843%	\$ 57,282,882	\$ 241,693

ROE

	Duke Energy KY Electric				Component	Weighted Avg	Grossed	Revenue	Incremental
	Capitalization	Adjustment	Adjusted Capitalization	Capital Ratio	Costs	cost	Up Cost	Requirement	revenue requirement
Start Term Debt	\$ 63,304,329		\$ 63,304,329	9.772%	3.083%	0.301%	0.30%	\$ 1,951,672	\$ -
Long Term Debt	\$ 265,451,970		\$ 265,451,970	40.977%	4.243%	1.739%	1.74%	\$ 11,263,127	\$ -
Common Equity	\$ 319,052,751		\$ 319,052,751	49.251%	9.725%	4.790%	6.42%	\$ 41,607,971	\$ (2,460,111)
	\$ 647,809,050		\$ 647,809,050	100%		6.830%	8.46%	\$ 54,822,771	\$ (2,460,111)

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APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2017-00321 DATED **APR 13 2018**

The following rates and charges are prescribed for the customers in the area served by Duke Energy Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

RATE RS  
RESIDENTIAL SERVICE

Customer Charge per month	\$ 11.00
Energy Charge per kWh: All kWh per month	\$ 0.071520

RATE DS  
SERVICE AT SECONDARY DISTRIBUTION VOLTAGE

Customer Charge per month:	
Single Phase Service	\$ 17.14
Three Phase Service	\$ 34.28
Demand Charge per kW:	
First 15 kW	\$ .00
Additional kW	\$ 8.25
Energy Charge per kWh:	
First 6,000 kWh	\$ 0.080075
Next 300 kWh/kW	\$ 0.049155
Additional kWh	\$ 0.040254

The maximum monthly rate, excluding the customer charge, and all applicable riders, shall now exceed \$0.236547 per kWh

For customers receiving service under the provisions of former Rate C, Optional Rate for Churches, as of June 25, 1981, the maximum monthly rate per kWh shall not exceed \$0.145219 per kWh

RATE DT  
TIME-OF-DAY RATE FOR SERVICE AT DISTRIBUTION VOLTAGE

Customer Charge per month:	
Single Phase	\$ 63.50
Three Phase	\$ 127.00
Primary Voltage Service	\$ 138.00
Demand Charge per kW:	
Summer on-peak	\$ 13.78
Winter on-peak	\$ 13.04
Off-peak	\$ 1.24
Energy Charge per kWh:	
Summer on-peak	\$ 0.043370
Winter on-peak	\$ 0.041403
Off-peak	\$ 0.035516
Primary Service Discount:	
Metering of on-peak billing demand per kW:	
First 1,000 kW	\$ (0.70)
Additional kW	\$ (0.54)

RATE EH  
OPTIONAL RATE FOR ELECTRIC SPACE HEATING

Winter Period

Customer Charge per month:	
Single Phase Service	\$ 17.14
Three Phase Service	\$ 34.28
Primary Voltage Service	\$ 117.00
Energy Charge per kWh:	
All kWh per month	\$ 0.062202

RATE SP  
SEASONAL SPORTS SERVICE

Customer Charge per month:	\$ 17.14
Energy Charge per kWh:	
All kWh per month	\$ 0.096130

RATE GS-FL  
OPTIONAL UNMETERED GENERAL SERVICE RATE FOR SMALL FIXED LOADS

Base Rate per kWh:		
Load range of 540 to 720 hours per month	\$	0.082708
Loads less than 540 hours per month	\$	0.095240
Minimum per Fixed Load Location per month:	\$	2.98

RATE DP  
SERVICE AT PRIMARY DISTRIBUTION VOLTAGE

Customer Charge per month:		\$ 117.00
Primary Voltage Service (12.5 or 34.5 kV)		
Demand Charge per kW:		
All kW	\$	7.92
Energy Charge per kWh:		
First 300 kWh/kW	\$	0.051092
Additional kWh	\$	0.043219

The maximum monthly rate, excluding the customer charge, electric fuel component charges, and DSM charge shall not exceed \$0.241312 per kWh.

RATE TT  
TIME-OF-DAY RATE FOR SERVICE AT TRANSMISSION VOLTAGE

Customer Charge per month:		\$ 500.00
Demand Charge per kW:		
Summer on-peak	\$	8.07
Winter on-peak	\$	6.62
Off-peak	\$	1.22
Energy Charge per kWh:		
Summer on-peak	\$	0.048997
Winter on-peak	\$	0.046775
Off-peak	\$	0.040124

RIDER GSS  
GENERATION SUPPORT SERVICE

Administrative Charge:		\$ 50.00
Monthly Transmission and Distribution Reservation Charge:		
Rate DS – Secondary Distribution Service	\$	0.047126
Rate DT – Distribution Service	\$	0.058517
Rate DP – Primary Distribution Service	\$	0.059794
Rate TT – Transmission Service	\$	0.026391

RATE SL  
STREET LIGHTING SERVICE

Base Rate per Unit per Month:

OVERHEAD DISTRIBUTION AREA

Standard Fixture (Cobra Head)

Mercury Vapor:

7,000 Lumen	\$	7.27
7,000 Lumen (Open Refractor)	\$	6.07
10,000 Lumen	\$	8.39
21,000 Lumen	\$	11.23

Metal Halide:

14,000 Lumen	\$	7.27
20,500 Lumen	\$	8.39
36,000 Lumen	\$	11.23

Sodium Vapor:

9,500 Lumen	\$	8.04
9,500 Lumen (Open Refractor)	\$	6.04
16,000 Lumen	\$	8.77
22,000 Lumen	\$	11.37
27,500 Lumen	\$	11.37
50,000 Lumen	\$	15.28

Decorative Fixtures

Sodium Vapor:

9,500 Lumen (Rectilinear)	\$	10.00
22,000 Lumen (Rectilinear)	\$	12.36
50,000 Lumen (Rectilinear)	\$	16.35
50,000 Lumen (Setback)	\$	24.31

Spans of Secondary Wiring: For each increment of 50 feet of secondary wiring beyond the first 150 feet from the pole, the following price per month shall be added to the price per month per street lighting unit:

\$ 0.53

UNDERGROUND DISTRIBUTION AREA

Standard Fixture (Cobra Head)

Mercury Vapor:

7,000 Lumen	\$	7.40
7,000 Lumen (Open Refractor)	\$	6.07
10,000 Lumen	\$	8.54
21,000 Lumen	\$	11.50

Metal Halide:

14,000 Lumen	\$	7.40
20,500 Lumen	\$	8.54
36,000 Lumen	\$	11.50

Sodium Vapor:

9,500 Lumen	\$	8.04
9,500 Lumen (Open Refractor)	\$	6.12
16,000 Lumen	\$	8.74
22,000 Lumen	\$	11.37
27,500 Lumen	\$	11.37
50,000 Lumen	\$	15.28

Decorative Fixture:

Mercury Vapor:

7,000 Lumen (Town & Country)	\$	7.65
7,000 Lumen (Holophane)	\$	9.61
7,000 Lumen (Gas Replica)	\$	21.96
7,000 Lumen (Granville)	\$	7.73
7,000 Lumen (Aspen)	\$	13.91

Metal Halide:

14,000 Lumen (Traditionaire)	\$	7.64
14,000 Lumen (Granville Acorn)	\$	13.91
14,000/14,500 Lumen (Gas Replica) <sup>214</sup>	\$	22.04

Sodium Vapor:

9,500 Lumen (Town & Country)	\$	11.17
9,500 Lumen (Holophane)	\$	12.10
9,500 Lumen (Rectilinear)	\$	9.02
9,500 Lumen (Gas Replica)	\$	22.75
9,500 Lumen (Aspen)	\$	14.09
9,500 Lumen (Traditionaire)	\$	11.17
9,500 Lumen (Granville Acorn)	\$	14.09
22,000 Lumen (Rectilinear)	\$	12.42
50,000 Lumen (Rectilinear)	\$	16.41
50,000 Lumen (Setback)	\$	24.31

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<sup>214</sup> Duke Kentucky's billing analysis lists both a 14,000 and 14,500 Lumen Gas Replica light at the same rate.

POLE CHARGES

Pole Description:

Wood:

17 Foot (Wood Laminated) (a)	\$	4.50
30 Foot	\$	4.44
35 Foot	\$	4.50
40 Foot	\$	5.39

Aluminum:

12 Foot (Decorative)	\$	12.23
28 Foot	\$	7.09
28 Foot (Heavy Duty)	\$	7.16
30 Foot (Anchor Base)	\$	14.16

Fiberglass:

17 Foot	\$	4.50
12 Foot (Decorative)	\$	13.15
30 Foot (Bronze)	\$	8.56
35 Foot (Bronze)	\$	8.79

Steel:

27 Foot (11 gauge)	\$	11.56
27 Foot (3 gauge)	\$	17.43

Spans of Secondary Wiring: For each increment of 25 feet of secondary wiring beyond the first 25 feet from the pole, the following price per month shall be added to the price per month per street lighting unit: \$ 0.77

RATE TL  
TRAFFIC LIGHTING SERVICE

Base Rate per kWh:		
Energy only	\$	0.038903
Energy from separately metered source w/maintenance	\$	0.021543
Energy w/maintenance	\$	0.060446

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RATE UOLS  
UNMETERED OUTDOOR LIGHTING ELECTRIC SERVICE

Base Rate per kWh:		
All kWh per month	\$	0.038305

RATE LED  
LED OUTDOOR LIGHTING ELECTRIC SERVICE

Base Rate per kWh:  
All kWh per month \$ 0.038305

Monthly Maintenance and Fixture Charge Per Unit Per Month  
Fixtures:

	<u>Fixture</u>	<u>Maintenance</u>
50W Standard LED-Black	\$ 4.96	\$ 4.24
70W Standard LED-Black	\$ 4.95	\$ 4.24
110W Standard LED-Black	\$ 5.62	\$ 4.24
150W Standard LED-Black	\$ 7.44	\$ 4.24
220W Standard LED-Black	\$ 8.43	\$ 5.17
280 W Standard LED-Black	\$ 10.38	\$ 5.17
50W Deluxe Acorn LED-Black	\$ 14.47	\$ 4.24
50W Acorn LED-Black	\$ 13.04	\$ 4.24
50W Mini Bell LED-Black	\$ 12.30	\$ 4.24
70W Bell LED-Black	\$ 15.66	\$ 4.24
50W Traditional LED-Black	\$ 9.45	\$ 4.24
50W Open Traditional LED-Black	\$ 9.45	\$ 4.24
50W Enterprise LED-Black	\$ 12.70	\$ 4.24
70W LED Open Deluxe Acorn	\$ 14.11	\$ 4.24
150W LED Teardrop	\$ 18.95	\$ 4.24
50W LED Teardrop Pedestrian	\$ 15.37	\$ 4.24
220W LED Shoebox	\$ 13.13	\$ 5.17
LED 50W 4521 Lumens Standard LED Black Type III 4000K	\$ 4.96	\$ 4.24
LED 70W 6261 Lumens Standard LED Black Type III 4000K	\$ 4.95	\$ 4.24
LED 110W 9336 Lumens Standard LED Black Type III 4000K	\$ 5.62	\$ 4.24
LED 150W 12642 Lumens Standard LED Black Type III 4000K	\$ 7.44	\$ 4.24
LED 150W 13156 Lumens Standard LED Type IV Black 4000K	\$ 7.44	\$ 4.24
LED 220W 18642 Lumens Standard LED Black Type III 4000K	\$ 8.43	\$ 5.17
LED 280W 24191 Lumens Standard LED Black Type III 4000K	\$ 10.38	\$ 5.17
LED 50W Deluxe Acorn Black Type III 4000K	\$ 14.47	\$ 4.24
LED 70W Open Deluxe Acorn Black Type III 4000K	\$ 14.11	\$ 4.24
LED 50W Acorn Black Type III 4000K	\$ 13.04	\$ 4.24
LED 50W Mini Bell LED Black Type III		

4000K Midwest	\$ 12.30	\$ 4.24
LED 70W 5508 Lumens Sanibel Black Type III 4000K	\$ 15.66	\$ 4.24
LED 50W Traditional Black Type III 4000K	\$ 9.45	\$ 4.24
LED 50W Open Traditional Black Type III 4000K	\$ 9.45	\$ 4.24
LED 50W Enterprise Black Type III 4000K	\$ 12.70	\$ 4.24
LED 150W Large Teardrop Black Type III 4000K	\$ 18.95	\$ 4.24
LED 50W Teardrop Pedestrian Black Type III 4000K	\$ 15.37	\$ 4.24
LED 220W Shoebox Black Type IV 4000K	\$ 13.13	\$ 5.17
150W Sanibel	\$ 15.66	\$ 4.24
420W LED Shoebox	\$ 19.58	\$ 5.17
50W Neighborhood	\$ 4.04	\$ 4.24
50W Neighborhood with Lens	\$ 4.21	\$ 4.24

Monthly Pole Charges Per Unit Per Month:

12' C-Post Top Anchor Base-Black	\$ 9.39
25' C-Davit Bracket-Anchor Base-Black	\$ 24.69
25' C-Boston Harbor Bracket-Anchor Base-Black	\$ 24.96
12' E-AL – Anchor Base-Black	\$ 9.38
35' AL-Side Mounted-Direct Buried Pole	\$ 15.89
30' AL-Side Mounted-Anchor Base	\$ 12.24
35' AL-Side Mounted-Anchor Base	\$ 11.91
40' AL-Side Mounted-Anchor Base	\$ 14.73
30' Class 7 Wood Pole	\$ 5.82
35' Class 5 Wood Pole	\$ 6.33
40' Class 4 Wood Pole	\$ 9.53
45' Class 4 Wood Pole	\$ 9.88
20' Galleria Anchor Based Pole	\$ 8.40
30' Galleria Anchor Based Pole	\$ 9.93
35' Galleria Anchor Based Pole	\$ 28.56
MW-Light Pole-12' MH-Style A-Aluminum-Anchor Base- Top Tenon-Black	\$ 5.69
MW-Light Pole-Post Top-12' MH-Style A-Alum-Direct Buried-Top Tenon-Black	\$ 4.87
Light Pole-15' MH-Style A-Aluminum-Anchor Base- Top Tenon-Black	\$ 5.85
Light Pole-15' MH-Style A-Aluminum-Direct Buried- Top Tenon-Black	\$ 5.07
Light Pole-20' MH-Style A-Aluminum-Anchor Base- Top Tenon-Black	\$ 6.14

Light Pole-20' MH-Style A-Aluminum-Direct Buried- Top Tenon-Black	\$ 9.41
Light Pole-25' MH-Style A-Aluminum-Anchor Base- Top Tenon-Black	\$ 7.27
Light Pole-25' MH-Style A-Aluminum-Direct Buried- Top Tenon-Black	\$ 10.49
Light Pole-30' MH-Style A-Aluminum-Anchor Base- Top Tenon-Black	\$ 8.60
Light Pole-30' MH-Style A-Aluminum-Direct Buried- Top Tenon-Black	\$ 11.67
Light Pole-35' MH-Style A-Aluminum-Anchor Base- Top Tenon-Black	\$ 9.93
Light Pole-35' MH-Style A-Aluminum-Direct Buried- Top Tenon-Black	\$ 12.61
MW-Light Pole-12' MH- Style B Aluminum Anchor Base- Top Tenon Black Pri	\$ 6.93
MW-Light Pole-12' MH-Style C-Post Top-Alum-Anchor Base-TT-Black Pri	\$ 9.39
MW-LT Pole-16' MH-Style C-Davit Bracket-Alum-Anchor Base-TT-Black	\$ 12.56
MW-Light Pole-25' MH-Style C-Davit Bracket-Alum-Anchor Base-TT-Black Pri	\$ 24.69
MW-LT Pole-16' MH-Style C-Boston Harbor Bracket-AL-AB- TT-Black Pri	\$ 10.07
MW-LT Pole-25' MH-Style C-Boston Harbor Bracket-AL-AB- TT-Black Pri	\$ 24.96
MW-LT Pole 12 Ft MH Style D Alum Breakaway Anchor Base TT Black Pri	\$ 9.29
MW-Light Pole-12' MH-Style E-Alum-Anchor Base-Top Tenon-Black	\$ 9.38
MW-Light Pole-12' MH-Style F-Alum-Anchor Base-Top Tenon-Black Pri	\$ 10.06
MW-15210-Galleria Anchor Base-20FT Bronze Steel-OLE	\$ 8.40
MW-15210-Galleria Anchor Base-30FT Bronze Steel-OLE	\$ 9.93
MW-15210-Galleria Anchor Base-35FT Bronze Steel-OLE	\$ 28.56
MW-15310-35FT MH Aluminum Direct Embedded Pole-OLE	\$ 15.89
MW-15320-30FT Mounting Height Aluminum Anchor Base Pole-OLE	\$ 12.24
MW-15320-35FT Mounting Height Aluminum Anchor Base Pole-OLE	\$ 11.91
MW-15320-40FT Mounting Height Aluminum Anchor Base Pole-OLE	\$ 14.73
MW-POLE-30-7	\$ 5.82
MW-POLE-35-5	\$ 6.33
MW-POLE-40-4	\$ 9.53
MW-POLE-45-4	\$ 9.88

RATE NSU  
STREET LIGHTING SERVICE - NONSTANDARD UNITS

Rate per Unit per Month:

Company Owned

Boulevard Units Served Underground:

2,500 Lumen Incandescent - Series	\$	9.42
2,500 Lumen Incandescent - Multiple	\$	7.32

Holophane Decorative Served Underground:

10,000 Lumen Mercury Vapor on Fiberglass Pole	\$	17.16
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The cable span charge of \$0.77 per each increment of 25 feet of secondary wiring shall be added to the rate/unit charge for each increment of secondary wiring beyond the first 25 feet from the pole base.

Street Lighting Served Overhead:

2,500 Lumen Incandescent	\$	7.26
2,500 Lumen Mercury Vapor	\$	6.87
21,000 Lumen Mercury Vapor	\$	10.89

Customer Owned

Steel Boulevard Units Served Underground:

2,500 Lumen Incandescent - Series	\$	5.56
2,500 Lumens Incandescent - Multiple	\$	7.07

RATE SC  
STREET LIGHTING SERVICE – CUSTOMER OWNED

Base Rate per Unit per Month:

Standard Fixture (Cobra Head):

Mercury Vapor:

7,000 Lumen	\$	4.28
10,000 Lumen	\$	5.45
21,000 Lumen	\$	7.56

Metal Halide:

14,000 Lumen	\$	4.28
20,500 Lumen	\$	5.45
36,000 Lumen	\$	7.56

Sodium Vapor:	
9,500 Lumen	\$ 5.15
16,000 Lumen	\$ 5.74
22,000 Lumen	\$ 6.31
27,500 Lumen	\$ 6.31
50,000 Lumen	\$ 8.54

Decorative Fixture:

Mercury Vapor:

7,000 Lumen (Holophane)	\$ 5.44
7,000 Lumen (Town & Country)	\$ 5.39
7,000 Lumen (Gas Replica)	\$ 5.44
7,000 Lumen (Aspen)	\$ 5.44

Metal Halide:

14,000 Lumen (Traditionaire)	\$ 5.39
14,000 Lumen (Granville Acorn)	\$ 5.44
14,000 Lumen (Gas Replica)	\$ 5.44

Sodium Vapor:

9,500 Lumen (Town & Country)	\$ 5.07
9,500 Lumen (Traditionaire)	\$ 5.07
9,500 Lumen (Granville Acorn)	\$ 5.29
9,500 Lumen (Rectilinear)	\$ 5.07
9,500 Lumen (Aspen)	\$ 5.29
9,500 Lumen (Holophane)	\$ 5.29
9,500 Lumen (Gas Replica)	\$ 5.29
22,000 Lumen (Rectilinear)	\$ 6.68
50,000 Lumen (Rectilinear)	\$ 8.84

Pole Description:

Wood:

30 Foot	\$ 4.44
35 Foot	\$ 4.50
40 Foot	\$ 5.39

Customer Owned and Maintained Units per kWh \$ 0.038305

RATE SE  
STREET LIGHTING SERVICE – OVERHEAD EQUIVALENT

Base Rate per Unit per Month:

Decorative Fixtures:

Mercury Vapor:

7,000 Lumen (Town & Country)	\$ 7.45
7,000 Lumen (Holophane)	\$ 7.48

7,000 Lumen (Gas Replica)	\$	7.48
7,000 Lumen (Aspen)	\$	7.48
Metal Halide:		
14,000 Lumen (Traditionaire)	\$	7.45
14,000 Lumen (Granville Acorn)	\$	7.48
14,000 Lumen (Gas Replica)	\$	7.48
Sodium Vapor:		
9,500 Lumen (Town & Country)	\$	8.12
9,500 Lumen (Holophane)	\$	8.23
9,500 Lumen (Rectilinear)	\$	8.12
9,500 Lumen (Gas Replica)	\$	8.22
9,500 Lumen (Aspen)	\$	8.22
9,500 Lumen (Traditionaire)	\$	8.12
9,500 Lumen (Granville Acorn)	\$	8.22
22,000 Lumen (Rectilinear)	\$	11.67
50,000 Lumen (Rectilinear)	\$	15.44
50,000 Lumen (Setback)	\$	15.44

RATE DPA  
DISTRIBUTION POLE ATTACHMENTS

Annual rental per pole per foot:		
Two-User pole	\$	5.92
Three-User pole	\$	4.95

COGENERATION AND SMALL POWER  
PRODUCTION SALE AND PURCHASE TARIFF-100 kW OR LESS

Rates for Purchases from Qualifying Facilities

Energy Purchase Rate per kWh	\$	0.027645
Capacity Purchase Rate per kW-month	\$	3.61

COGENERATION AND SMALL POWER  
PRODUCTION SALE AND PURCHASE TARIFF-GREATER THAN 100 kW

Rates for Purchases from Qualifying Facilities

The Energy Purchase Rate for all kWh delivered shall be the PJM Real-Time Locational Marginal Price for power at the DEK Aggregate price node, inclusive of the energy, congestion and losses charges, for each hour of the billing month.

Capacity Purchase Rate per kW-month	\$	3.61
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SCHEDULE RTP  
REAL-TIME PRICING PROGRAM

Energy Delivery Charge (Credit) per kW per hour from CBL	
Secondary Service	\$ 0.009104
Primary Service	\$ 0.007850
Transmission Service	\$ 0.003576

NON-RECURRING CHARGES

Remote Reconnection	\$ 3.45
Reconnection – Non-remote (Electric Only)	\$ 75.00
Reconnection - Non-remote (Electric and Gas)	\$ 88.00
Reconnection at pole (Electric Only)	\$ 125.00
Reconnection at pole (Electric and Gas)	\$ 150.00
Collection Charge	\$ 50.00

RIDER LM  
LOAD MANAGEMENT RIDER

When a customer elects the off-peak provision, the monthly customer charge of the applicable Rate DS or DP will be increased by an additional monthly charge of \$5.00 for each installed time-of-use or interval data recorder meter.

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Andy McDonald  
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Frankfort, KY 40601  
March 4, 2019

Kentucky Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40602

Public Comments on PSC Case No. 2018-00294 & 2018-00295

Dear Commissioners,

I am a residential customer of Kentucky Utilities and live at 7134 Owenton Rd. in Frankfort, where I own a net-metered solar electric system. After reviewing documents submitted by KU-LG&E in their filing and testimony submitted by witnesses for the Office of the Attorney General, I have the following concerns with the requests submitted by KU-LG&E.

1. KU-LG&E are requesting a revenue increase of \$113 million per year through a 2.08% increase in the Rate of Return on Rate Base for KU and 1.02% for LG&E. These revenue increases would be achieved, in part, by raising KU's Residential customer rates on average \$9.63/month. It is shocking to me that the purpose of this large rate increase is to increase investor profits. I understand that the utilities provide a vital service to their customers and our society and I appreciate that they do so safely and reliably. I understand that maintaining and improving their infrastructure is costly and their employees deserve to be justly compensated for their work. I understand that reducing the pollution from their coal and gas power plants is costly and that these costs must be borne by the ratepayers who use the electricity, if we want to have clean air, clean water, and healthy communities.

But I do not understand why the families and businesses in this state should be asked to pay even more for electricity solely to enlarge the profit margin for KU-LG&E's investors. Kentucky struggles with some of the highest rates of poverty in this country. To ask families who are already struggling, who are at risk of eviction or living without heat or foregoing medical care to keep the heat on, to shoulder even greater electricity costs, so that wealthy investors can earn even more profits, is shameful.

I urge the Commission to deny whatever portion of the requested increase in revenue and rate of return was allocated to increasing investor profits.

2. I ask the Commission to reject the increase to the Basic Service Charge for Residential Customers.

A) Glenn Watkins, witness for the Attorney General, has provided testimony that undermines the utilities' argument for increasing the Basic Service Charge. Watkins has offered an alternative method for calculating the utilities' fixed costs and according to his calculations, KU and LG&E's fixed costs are currently *significantly lower than* their current Basic Service Charge. Watkins has severely criticized the utilities' cost of service study. These criticisms indicate that further analysis is required to determine the true magnitude of the utilities' fixed costs and how they should be recovered from ratepayers. In the light of these facts, and considering the burden these additional charges would place on ratepayers, especially low-income families, it would be unfair and unreasonable for the Commission to approve an increase to the Basic Service Charge.

B) Raising the minimum service charge should also be opposed because of their negative consequences for ratepayers and society. Minimum charges discourage conservation and investments in energy efficiency and renewable energy. They make it more difficult for customers to reduce their energy bills, creating hardships especially for low-income customers. This increases the risk of service cut-offs, which endangers family health and raises risks of homelessness. While increasing the energy charge (when necessary and justifiable) allows customers the option of reducing their usage and thereby reducing their bills, increasing the minimum service charge creates an automatic, unavoidable increase to bills. This impact is regressive, creating greater hardships on low-income families while having proportionally less impact on wealthier customers.

C) Mr. Watkins has testified, "It is clear from the testimonies of Messrs. Conroy and Seelye that the primary objective of the Companies' residential rate design is to guarantee revenue collection and profitability associated with fixed monthly customer charges... Fixed monthly customer charges represent guaranteed revenue to the Companies. These guarantees of revenue obviously reduce the risks of operations and provide much more assurance of net income available to shareholders" (see Direct Testimony of Glenn Watkins, Technical Associates Inc., for the Attorney General, Jan. 16, 2019, p. 24). It is unconscionable, in my view, for the utilities to seek greater guaranteed profits by imposing greater, unavoidable financial burdens upon the most vulnerable members of our society.

D) The utilities have argued that generating more revenue from fixed charges is also needed in response to the growth of distributed generation, such as net metering solar energy. They argue that volumetric energy charges do not recover all of their fixed costs from the users of distributed generation. As noted above, Watkins calls into doubt the validity of this premise when he provides an alternative calculation of KU-LG&E's fixed costs which are *less than* their current Basic Service Charge. Distributed generation represents a very small fraction of KU-LG&E's load. The utilities are arguing that in order to prepare for a *possible situation* in the *distant future*, the minimum service charge should be raised right now, imposing immediate unavoidable costs on all ratepayers. It is unreasonable and unjust for KU-LG&E to impose this burden on their ratepayers, especially lower-income families, on the basis of a potential need in

the distant future. Their request is understood to be even more unreasonable when you consider that "in AG 1-175, the Companies were requested to provide the cost of service impact of existing distributed generation discussed by witness Sinclair. The Companies responded that they have not performed an analysis of the cost of service impact of distributed generation." (see Watkins Direct Testimony, p.32). The utilities should not be allowed to raise the minimum service charge based on alleged potential future cost impacts which they have not even calculated and presented to the Commission for review.

3. KU-LG&E have proposed splitting their energy charge into two components, "variable" and "fixed." They argue that this is to "educate" consumers about variable and fixed costs, but then paradoxically say they don't plan to display the distinction on customer bills. Mr. Watkins has testified, "such a distinction [between fixed and variable costs] is unnecessary, will not assist consumers in their efficient utilization of electricity, nor assist in making decisions on how to control their electricity bills. Indeed, it is clear that this proposal is nothing more than a campaign by the Companies to advocate the collection of so-called "fixed" costs from non-avoidable charges." I urge the Commission to reject this proposal and retain the current billing system for energy charges.

Thank you for your attention to my concerns.

Sincerely,



Andy McDonald

Email: andyboeke@yahoo.com



**Galaxy Supermarket**

134 Pine Street Pineville, Kentucky 40977

Phone (606) 337-3411

e-mail: [mrlong1@bellsouth.net](mailto:mrlong1@bellsouth.net)

Mike Long Partner / Manager

February 28, 2019

To Whom it May Concern:

Please consider this correspondence a formal statement of opposition on behalf of Long's Pic-Pac, to recently proposed electricity rate hikes posited by Kentucky Utilities. Our opposition is based on the many economic challenges faced daily by independent grocers across the nation like us who have experienced irregular profit and loss statements for the last decade. Unfortunately, in that time frame we have witnessed closures of many regional grocers because they could not survive increasing overhead costs. At Long's Pic-Pac, we have made our share of efforts toward improvements in LED lighting and more economical refrigerated cases throughout the store, however our utility bill remains one of our largest operating expenses.

For over the past fifty years we have provided the area with thousands of entry level jobs, from offering a first employment experience to our regions cherished young adults to those that have chosen to stay with us, enjoying longstanding careers. Our heritage and values are displayed through our frequent and reliable practices of giving back to local schools and charities and as a result, we are central to the community. If approved, these rate hikes will place a burden on our store that cannot likely be endured, as the line between profit and loss is so fragile for independent businesses in southeast Kentucky at this time. Employee hours and benefits may suffer for our operations and many other business owners, as well as our collective abilities to support our communities

We ask that you reconsider these proposals from a perspective of the economic wellbeing of our region; the same region that you serve and employ in as well.

Sincerely,

*Michael Long*

Michael Long  
Partner / Manager



# Red Bird Mission

70 Queendale Center  
Beverly, KY 40913-9607

P 606.598.3155 • F 606.598.3151 • Email [rbm@rbmission.org](mailto:rbm@rbmission.org) • [www.rbmission.org](http://www.rbmission.org)

My name is Kari Collins, and I am the Executive Director of Red Bird Mission, Inc. Red Bird Mission is located in the corner of Bell, Clay and Leslie Counties where we serve over 2,000 individuals each year. We are a 501c3 that has been providing education, health care, resources and supports since 1921. Our private school provides a quality education to 230 students, pre-k through 12<sup>th</sup> grade. The school is accredited by the Southern Association of Colleges and Schools, Christian Schools International and is certified by the Kentucky Department of Education. Even though it costs us approximately \$7,000 a year to educate each child, our maximum annual tuition is \$650. Most of our families qualify for an even lower fee because it is income based. In addition, we have approximately 2300 volunteers that come to Red Bird Mission annually to help with projects like repairing homes, replacing leaking roofs, building ramps, helping with clean water projects, septic installations and providing hearing clinics for those who are living in a resource poor area. We are a major employer in an area where jobs are scarce. Eighty-five (85) of our nearly one hundred (100) full time employees are born and raised here in these mountains.

Next to payroll, our utilities are our biggest expense. Last month, we paid \$45,000 just for our electricity. We are a non-profit organization running on a shoestring budget, and we are already digging into our dwindling reserves just to meet our payroll and keep our lights on. And then I found out that, if this rate increase goes through, we will be paying an additional \$4300 per year on our commercial accounts – and even more when you include our 17 homes and apartments for staff and volunteers that we assume the utility costs for. We struggle each month with our high utility bills, but we are diligent in paying them. In addition to the monthly bills we have also incurred significant costs due to power outages and brown-outs that have damaged and destroyed some of our HVAC systems. We do not get reimbursement for these costly repairs and replacements. We attempted to sign up for advanced meters to help manage our usage. KU told us that the advanced meter service was not available because it ran off of the Verizon network. We only have Windstream available in our area. While KU says they will use this rate increase to improve infrastructure, I am not optimistic that they will be paying much attention to our area which is located at the end of their service line in Clay County.

We at Red Bird Mission are looking at every option we have to reduce our bills, from efficiency measures to rooftop solar, which may not be a viable option with current bills before our legislators. Simply put, we are running out of ways to pay for our utility bills. We are committed to be impeccable stewards of the donations we receive from individuals who want to help provide a healthy, sustainable future for those we serve. We are doing everything possible to reduce our utility costs so that we may serve more people in need. This rate increase will have significant detrimental effects on us, and on the people we serve in southeast Kentucky.

Kari Collins, Executive Director  
Red Bird Mission, Inc.



Mountain Association for Community Economic Development  
433 Chestnut Street • Berea, Kentucky 40403  
voice/tdd 859-986-2373 • facsimile 859-986-1299  
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My name is Carrie Ray, and I am the Program Coordinator for Energy Efficient Enterprises, a program of the Mountain Association for Community Economic Development, or MACED. MACED has worked for over 40 years for a more just, sustainable, accessible, and resilient economy in Appalachian Kentucky. My program helps small businesses, non-profits, schools, local governments, and churches save money on their utility bills through energy efficiency and renewable energy. I am here on behalf of the clients I serve who were not able to make their voices heard in person, since no public hearing was held in eastern Kentucky.

Whenever rate cases come up, much attention is paid to residential customers and large industrial customers, but the commercial customers in the middle often get forgotten about. This is frustrating, since these customers form the backbone of many communities – they are the grocery stores, the community centers, the doctor's offices, the day care centers, the city halls. In our eastern counties, these places are struggling mightily to keep their doors open, and their electric bills can be staggering.

One of the services we provide for our clients is a review of their utility bills, so I see firsthand how much our commercial clients are paying for electricity. I did a quick analysis of what our clients' increased costs would be under the new rates, and the results are alarming. A religious charity in Harlan, \$2900 a year. A Lee County grocery store, \$3000 a year. A Rockcastle County municipal government, \$4000. A Harlan County grocery store, \$5600. A town in Harlan County will pay an additional \$10,000 a year in electricity costs. This doesn't even account for increases in taxes, surcharges, and fees. And keep in mind that most of these enterprises have already invested in energy efficiency in an attempt to control their utility costs.

For small businesses, non-profits, and local governments in Appalachia, these costs are significant, and in many cases, unbearable. I just shared two stories of Kentucky Utilities customers who will struggle to stay afloat in the face of these increased costs. The cited need for this rate increase is to "improve infrastructure," but the filing documents show that it is also to raise the rate of return for its shareholders. On the commercial rate base alone, KU is asking for a rate of return of 13 to over 18% - and LGE-KU made nearly \$400 million in profits last year. How much is enough, when it comes at the expense of real people who are trying to make a living and build a community in a place that is already struggling? \$3000 a year is pocket change to a monopoly corporation like KU, but to that Lee County grocery store, it could be the difference between staying open or going out of business.

It is especially galling that this rate increase comes at the same time that LGE and KU, along with other utilities in Kentucky, have spent a reported \$327,000 in lobbying costs to gut net metering and put rooftop solar – one of the few options left to ratepayers to control their electric bills – out of reach.

We know that Kentuckians, and Americans across the country, are using less electricity as technology improves and concern over climate change grows. Kentucky's monopoly utilities' business model is to sell kilowatt hours, and to invest in capital-intensive projects. When there is no need for new power plants because people are buying less electricity, the price of that electricity has to increase. KU raised its rates less than two years ago in 2017, and raised them in 2015, and in 2013. These relentless increases are crippling to small businesses and non-profits in Appalachia and across KU's service territory.

We are a regulated state, and our monopoly electric utilities are guaranteed a rate of return in exchange for providing power to everyone in their service territory. There is no incentive to innovate or to keep prices low except for at the discretion of the Public Service Commission. Technology will continue to get more efficient and the deployment of distributed renewables will continue to grow. If our utilities do not shift their revenue model, it's the ratepayers – not the corporate shareholders – who will suffer. I urge the Public Service Commission to both deny this rate increase and to direct LGE/KU to plan for a very different energy future.

Thank you for your attention.

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